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# BULLETIN

OF

## The National Federation of Remedial Loan Associations

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Volume II

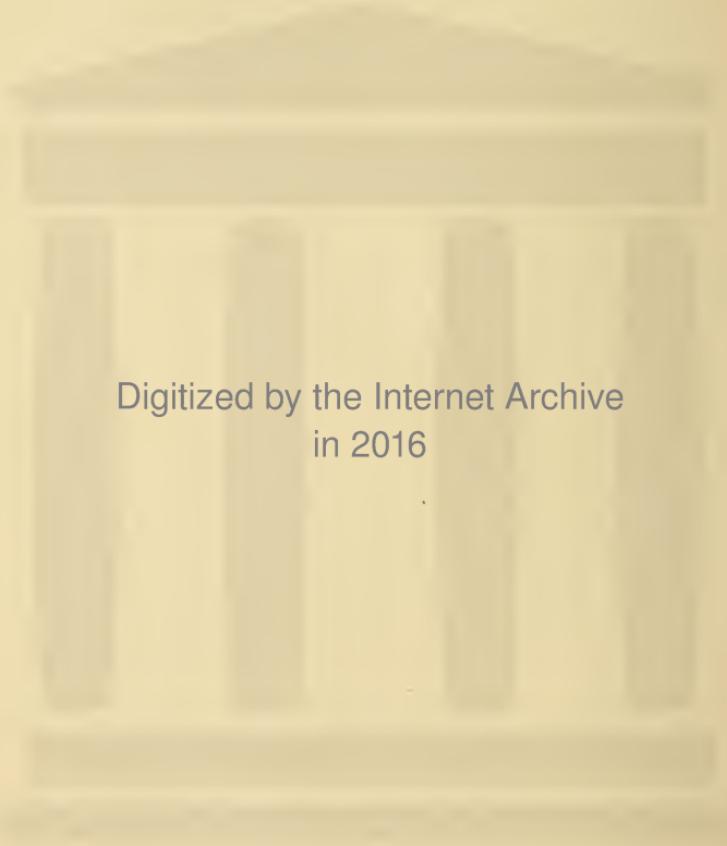
August, 1913

Number 1

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PROCEEDINGS  
FIFTH ANNUAL CONVENTION  
NEW YORK, N. Y., JUNE 19-21, 1913

PUBLISHED BY  
THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS



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OF  
The National Federation of Remedial  
Loan Associations

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THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS

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LOAN ASSOCIATIONS

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# The National Federation of Remedial Loan Associations

Organized at Buffalo, N. Y., June 10, 1909, and affiliated with the National Conference of Charities and Correction.

## MEMBERS OF THE FEDERATION

		Organized
1	Collateral Loan Co., Boston, Mass.	William Cobb, Pres., 1859
2	Workingmen's Loan Assn., Boston, Mass.	T. A. Richardson, Mgr., Apr. 19, 1888
3	Economy Bldg. & Loan Co., Cleveland, O.	D. H. Pond, Pres., Dec., 1892
4	Provident Loan Soc. of New York, N. Y.	Frank Tucker, Vice-Pres., May, 1894
5	St. Bartholomew's Loan Assn., New York, N. Y.	J. R. Ferguson, Mgr., Feb., 1895
6	Worcester Collateral Loan Assn., Worcester, Mass.	C. E. Burnham, Treas., Nov., 1896
7	Workingmen's Loan Assn., Providence, R. I.	Chas. F. Bigelow, Mgr., Jan., 1898
8	Chattel Loan Assn. of Baltimore City, Md.	W. N. Finley, Mgr., May, 1898
9	First State Pawners' Society, Chicago, Ill.	Samuel Wolfert, Mgr., Nov., 1899
10	Citizens' Mortgage Loan Co., Cincinnati, O.	Hugh Cavanaugh, Mgr., June, 1900
11	Society for Savings and Loans of Washington, D. C.	J. T. Exnicios, Treas., Jan., 1905
12	Provident Loan Society of Milwaukee, Wis.	J. H. Rubin, Mgr., Feb. 5, 1905
13	Newark Provident Loan Assn., Newark, N. J.	Wm. F. Davis, Mgr., Apr., 1905
14	Workingman's Collateral Loan Co., Cleveland, Ohio, W. J. Kirkpatrick, Mgr., Apr., 1906	
15	Provident Loan Society of Detroit, Mich.	H. A. Cone, Mgr., July, 1906
16	Chattel Loan Co., Grand Rapids, Mich.	F. E. Stroup, Treas., Jan., 1910
17	Equitable Loan Assn., Minneapolis, Minn.	R. C. Glidden, Mgr., Apr. 11, 1910
18	Provident Loan Society, St. Louis, Mo.	C. M. Kelly, Mgr., June, 1910
19	People's Provident Assn., Louisville, Ky.	R. M. Rutherford, Mgr., Oct. 1, 1910
20	Remedial Provident Loan Assn., Paterson, N. J.	F. X. Meegan, Mgr., Nov. 22, 1910
21	Welfare Loan Agency, Kansas City, Mo.	Wm. Volker, Pres., Dec. 3, 1910
22	Provident Loan Society, Seattle, Wash.	H. C. Henry, Pres., Jan. 1, 1911
23	People's Loan Co., Portland, Me.	Wm. H. Looney, Vice-Pres., Dec. 19, 1911
24	Chattel Loan Society of New York, N. Y.	R. R. Stevens, Mgr., Feb. 19, 1912
25	Provident Loan Society, St. Paul, Minn.	D. S. Coffey, Mgr., Feb. 29, 1912
26	Utica Provident Loan Assn., Utica, N. Y.	Geo. E. Upson, Mgr., March 20, 1912
27	Provident Loan Assn., Sioux City, Iowa	A. L. Whitmer, Pres., Apr. 1, 1912
28	Indianapolis Public Welfare Loan Assn., Indianapolis, Ind.	H. E. Lowes, Mgr., Nov. 4, 1912
29	San Francisco Remedial Loan Assn., San Francisco, Cal.	
30	Provident Loan Society, Rochester, N. Y.	Albert C. Auger, Mgr., Dec. 16, 1912
31	Remedial Loan Society, Buffalo, N. Y.	F. A. Phillips, Mgr., Dec. 26, 1912
31	Chas. H. Brown, Jr., Mgr., Jan. 14, 1913	
32	Onondaga Provident Loan Assn., Syracuse, N. Y.	Erasmus Pellenz, Mgr., Mar. 1, 1913
33	Duluth Remedial Loan Association, Duluth, Minn.	Harry E. Berg, Mgr., May 12, 1913
34	Equitable Collateral Loan Co., Youngstown, O.	John E. Taylor, Mgr., June 1, 1913

## OFFICERS.

W. N. FINLEY, Chairman  
9 E. Lexington Street, Baltimore, Md.  
J. T. EXNICIOS, Secretary  
902 F Street, N. W., Washington, D. C.

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W. N. FINLEY,  
J. T. EXNICIOS,  
A. H. HAM.  
31 Union Square, New York, N. Y.

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FRANK TUCKER,  
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Grant D. Green	Charles A. Hudson
C. L. Amos	Henry W. Jordan
Thomas Hooker	Morton D. Whitford
John A. Matthews	Erasmus Pellenz, Manager

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Townsend W. Hoopes	C. F. Graff
F. W. Paine	Harry E. Berg, Manager

EQUITABLE COLLATERAL LOAN CO.,  
Youngstown, O.

H. H. Stambahgh, Pres.	Richard Garlick
R. W. Forcier	W. E. Manning
R. E. Cornelius	John E. Taylor, Manager

FIFTH ANNUAL CONVENTION  
OF THE  
NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS  
HELD AT  
HOTEL McALPIN, NEW YORK CITY  
June 19, 20 and 21, 1913

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Afternoon Session, June 19, 1913

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The convention was called to order by the chairman, W. N. Finley, with representatives of the following societies present:

Collateral Loan Co., Boston Mass.; Economy Building and Loan Company, Cleveland, Ohio; The Provident Loan Society of New York, N. Y.; St. Bartholomew's Loan Association, New York, N. Y.; Worcester Collateral Loan Association, Worcester, Mass.; The Workingmen's Loan Association, Providence, R. I.; The Chattel Loan Association of Baltimore City, Baltimore, Md.; First State Pawners' Society, Chicago, Ill.; The Citizen's Mortgage Loan Co., Cincinnati, Ohio; Society for Savings and Loans of Washington, D. C.; Provident Loan Society of Milwaukee, Wis.; Newark Provident Loan Association, Newark, N. J.; The Workingman's Collateral Loan Co., Cleveland, Ohio; Chattel Loan Co., Grand Rapids, Mich.; Equitable Loan Association, Minneapolis, Minn.; Provident Loan Society, St. Louis, Mo.; People's Provident Association, Louisville, Ky.; Remedial Provident Loan Association, Paterson, N. J.; Chattel Loan Society of New York, New York, N. Y.; Provident Loan Society, St. Paul, Minn.; Utica Provident Loan Association, Utica, N. Y.; Provident Loan Association, Sioux City, Iowa; Provident Loan Society, Rochester, N. Y.; Remedial Loan Society of Buffalo, N. Y.; Onondaga Provident Loan Association, Syracuse, N. Y., and the Russell Sage Foundation.

The members were invited by the Provident Loan Society of New York, the Chattel Loan Society of New York, and the Russell Sage Foundation, to attend luncheons at the Hotel McAlpin on June 19, 20 and 21, and by St. Bartholomew's Loan Association to a yachting trip around Manhattan Island on June 21.

## REPORT OF THE CHAIRMAN.

W. N. FINLEY, Baltimore, Md.

The year closing to-day has been one of continued and increasing activity on the part of your Chairman. There is every indication that the interest in our Federation is on the increase and in many places is crystallizing in the organization of remedial societies. There is now more than ever before an intelligent appreciation on the part of social workers of the remedial loan problem, a result I believe to be directly attributable to the influence exerted by the National Federation.

Throughout the year there has been a marked increase in the number of appeals to your Chairman for assistance in solving both local and state problems connected with the loan business, for advice in drafting legislative measures and for criticism of bills already drawn, all of which he has accepted as an appreciation on the part of those making the appeals, of the aims and purposes of our organization.

The day has passed in which social workers contented themselves with the passage of laws designed solely to eliminate the usurious money lender. The futility of dependence upon laws however good which are not self-operative, or upon spasmodic efforts by prosecuting officers or grand juries, is now thoroughly recognized, and behind the great majority of legislative campaigns during the past year was the intention to form a remedial company as soon as an enabling act could be secured.

A gratifying recognition of the Federation during the last year came in the form of a telegraphic request to your Chairman to visit Hamilton, Ohio, and organize a loaning department of the Flood Relief Committee, thus opening a new, but let us fervently hope, a restricted field of remedial loan work. When the call came the pressure upon my time was so great that it was impossible for me to go in person but upon my request Mr. Cavanaugh visited Hamilton and Colonel Pond stood ready to go if needed, and my thanks are hereby tendered to those gentlemen for their prompt co-operation. At my suggestion, the following plan was taken under consideration: The banks of Hamilton to make loans to approved applicants for rehabilitation purposes, upon real or personal property mortgages or good

endorsements, and as additional security the Citizens' Relief Committee to deposit with the banks a sum equivalent to 25% of the amount so loaned by them; the rate of interest to be 6% per annum, and the arrangement between the banks and the Relief Committee to be confidential. I have not yet been advised as to the final action of the Committee on this plan.

The general recognition of the Federation, to which I have alluded, has largely increased the already heavy correspondence, until now about half of my daily mail pertains to Federation matters. This large correspondence has made necessary frequent consultations with my colleagues upon the Executive Committee in New York City, Washington and Philadelphia, and I have also visited Harrisburg, Pa., in reference to legislation pending in that state. At the request of the Ad Club of Norfolk, Va., I visited that city a few weeks ago and set on foot plans which I trust will eventually lead to the organization of several remedial loan societies in that state.

I have received a large number of letters asking for information concerning what is known as the "Morris" plan of banking which originated in Norfolk, Va. We do not assume, because the members of the Federation make loans only on chattels, pledges and endorsed notes that there is no other possible way of making loans. Our opinion of the "Morris" plan has been practically that the claims made have been unsubstantiated by the results shown by the companies actually in operation. I would personally welcome in Baltimore any medium for extending loans to those who do not care to mortgage their furniture. The promoters of the "Morris" companies claim that their companies wherever operating have eliminated the loan shark. As a matter of fact conditions in those cities where "Morris" companies now operate cannot be said to have improved under their competition. The plan is not remedial by reason of the fact that no loan of less than \$50 is made. No organization operating with such a limitation can appreciably affect the loan shark situation in any city.

The past year has been the most strenuous and the most fruitful of the years of our federated life. When it is remembered that the National Federation of Remedial Loan Associations now numbers 33 societies, located in 29 cities in 18 states, I feel sure

you will agree with me that the wisdom of the men who formed the Federation in Buffalo in 1909 has been fully justified by the results obtained and that we have every incentive to persevere in the work we have undertaken, for it should be remembered:

"That our credits are built upon the things we do;  
Our debits upon those we shirk,  
And the men who score the biggest plus,  
Are the men who complete their work."

---

#### REPORT OF THE SECRETARY.

J. T. EXNICIOS, Washington D. C.

From a membership of 14 associations in 1909, to 33 in 1913, is a growth of which every member of the Federation should be proud. It shows the great work done by the small body of men who four years ago launched a nation-wide campaign for the elimination of the loan shark evil. This campaign has resulted not only in the passage of many good laws but better still in an active, wide-awake competition by the many remedial societies which have entered this field, thereby saving to borrowers an enormous amount of money. Our membership now extends from Portland, Maine, to Seattle, Washington.

Of the nine applications for membership received during the past year, the following associations were unanimously elected to membership:

Provident Loan Society, Rochester, N. Y.

Remedial Loan Society, Buffalo, N. Y.

Indianapolis Public Welfare Loan Association, Indianapolis, Ind.

San Francisco Remedial Loan Association, San Francisco, Cal.

Provident Loan Society, Seattle, Washington.

People's Loan Co., Portland, Maine.

Onondaga Provident Loan Association, Syracuse, N. Y.

Duluth Remedial Loan Association, Duluth, Minn.

Our finances are in a healthy condition and all dues including the extra assessment of \$5.00 have been paid.

The books show a balance on hand of \$48.38. Herewith is submitted for your information a detailed statement of receipts and disbursements.

FINANCIAL STATEMENT FOR YEAR ENDING JUNE 18, 1913.

*Receipts.*

To balance on hand June 18, 1913.....	\$11.61
Membership dues for year ending June 18, 1913, paid by:	
Collateral Loan Co., Boston, Mass.....	10.00
Workingmen's Loan Association, Boston, Mass.....	10.00
Economy Building & Loan Co., Cleveland, Ohio.....	10.00
Provident Loan Society of New York.....	10.00
St. Bartholomew's Loan Association, N. Y. City.....	10.00
Worcester Collateral Loan Assn., Worcester, Mass.....	10.00
Chattel Loan Association of Baltimore, Md.....	10.00
Workingmen's Loan Association, Providence, R. I.....	10.00
First State Pawners' Society, Chicago, Ill.....	10.00
Citizens' Mortgage Loan Co., Cincinnati, Ohio.....	10.00
Society for Savings of Washington, D. C.....	10.00
Provident Loan Society of Milwaukee, Wis.....	10.00
Newark Provident Loan Association, Newark, N. J.....	10.00
Workingman's Collateral Loan Co., Cleveland, O.....	10.00
Provident Loan Society of Detroit, Mich.....	10.00
Chattel Loan Co., Grand Rapids, Mich.....	10.00
Equitable Loan Association, Minneapolis, Minn.....	10.00
Provident Loan Society, St. Louis, Mo.....	10.00
People's Provident Association, Louisville, Ky.....	10.00
Remedial Provident Loan Association, Paterson, N. J.....	10.00
Welfare Loan Agency, Kansas City, Mo.....	10.00
Chattel Loan Society of New York, N. Y. City.....	10.00
Provident Loan Society, St. Paul, Minn.....	10.00
Utica Provident Loan Association, Utica, N. Y.....	10.00
Provident Loan Association, Sioux City, Iowa.....	10.00
	\$261.61

Special Assessment levied under authority of Resolution, adopted June 14, 1913, paid by:

Collateral Loan Co., Boston, Mass.....	\$5.00
Workingmen's Loan Association, Boston, Mass.....	5.00
Economy Building & Loan Co., Cleveland, Ohio.....	5.00
Provident Loan Society of New York, N. Y. City.....	5.00
St. Bartholomew's Loan Association, N. Y. City.....	5.00
Worcester Collateral Loan Association, Worcester, Mass.....	5.00
Chattel Loan Association of Baltimore, Md.....	5.00
Workingmen's Loan Association, Providence, R. I.....	5.00
First State Pawners' Society, Chicago, Ill.....	5.00
Citizens' Mortgage Loan Co., Cincinnati, Ohio.....	5.00
Society for Savings of Washington, D. C.....	5.00
Provident Loan Society of Milwaukee, Wis.....	5.00
Newark Provident Loan Association, Newark, N. J.....	5.00
Workingman's Collateral Loan Co., Cleveland, Ohio.....	5.00
Provident Loan Society of Detroit, Mich.....	5.00
Chattel Loan Co. of Grand Rapids, Mich.....	5.00
Equitable Loan Association, Minneapolis, Minn.....	5.00
Provident Loan Society, St. Louis, Mo.....	5.00
People's Provident Association, Louisville, Ky.....	5.00

Remedial Provident Loan Association, Paterson N. J...	5.00
Welfare Loan Agency, Kansas City, Mo.....	5.00
Chattel Loan Society of New York, N. Y. City.....	5.00
Provident Loan Society, St. Paul, Minn.....	5.00
Utica Provident Loan Association, Utica, N. Y.....	5.00
Provident Loan Association, Sioux City, Iowa.....	5.00

\$125.00

Economy Building & Loan Company, Cleveland, Ohio, for 200 extra copies of Bulletin No. 1.....	9.00
Citizens' Mortgage Loan Co., of Cincinnati, Ohio, for 100 extra copies of Bulletin No. 1.....	4.50

\$400.11

*Disbursements.*

Janitor service Cleveland Meeting, 1912.....	\$5.00
Expressage on minutes Cleveland Meeting, 1912.....	.60
Chairman, telegrams to New York.....	1.82
Lucas Bros., printing letterheads and envelopes.....	13.00
Chairman, Postage stamps for year.....	5.00
J. J. Metzger, Signs, Cleveland Convention.....	5.25
Lucas Bros. 100 Metal Edge Cards.....	3.00
Clover Press, Printing "Bulletin".....	185.00
Copyright fee for "Bulletin".....	2.00
The Survey, Advertisement.....	20.00
Lucas Bros., 500 Additional Letterheads.....	6.50
Rubber stamp .....	1.25
Chairman, Trip to Harrisburg, Pa., Legislation.....	6.60
Chairman, Trip to Phila., and telegrams.....	9.56
Chairman, Typewriting and telegrams.....	4.27
Magraw & Magraw, Typewriting.....	3.65
Lucas Bros., Envelopes .....	2.75
Charity Organization Society, Adv.....	1.00
Chairman, Trip to Norfolk, Va.....	12.35
Chairman, Trip to Philadelphia.....	7.50
Kohn & Pollock, Inc., Printing 1913 Convention folder.....	14.75
Lucas Bros., Envelopes .....	2.25
Chairman, Trip to Philadelphia.....	7.50
Chairman, Typewriting, Postage & Rubber stamp.....	5.43
Kohn & Pollock, Printing programs.....	13.50
Kohn & Pollock, Invitations and envelopes.....	2.50
Lucas Bros., Envelopes.....	.70
Magraw & Magraw, Typewriting .....	9.00
Balance on hand.....	48.38

\$400.11

J. T. EXNICIOS, *Secretary.*

June 20, 1913.

We have examined the accounts of the Secretary and are satisfied that they are in order, that all receipts and disbursements have been properly accounted for and that the results are correctly stated in this report.

C. H. BROWN, JR.,  
C. F. BIGELOW.

## REPORT OF THE YEAR'S PROGRESS.

A. H. HAM, New York, N. Y.

The program of the remedial loan movement comprises an attempt to secure a universal appreciation of the important part played by usurious money-lenders in causing distress among the poor, to the end that constructive legislation may be enacted in all states and remedial loan societies organized in all large cities. In arousing public indignation against the usurer, it has been our purpose to inspire something more than a demand for the punishment of offenders. A certain amount of destructive work has been necessary in order that the enormity of the evil may be widely recognized, and the fact be understood that a large part of this inhuman business has arisen in response to emergency needs and a desire to borrow for productive and saving purposes.

Newspaper denunciation, demands for drastic legislation, campaigns of publicity and prosecution, the settlement of loans upon a reasonable basis and similar activities, while of little avail in themselves in correcting this great evil are ultimately of value, for sooner or later the intelligent men so engaged are sure to recognize the need for agencies that will provide emergency loans at a low cost, a need not for benevolent associations but for remedial loan societies which are socialized business organizations and pay fair returns.

In reviewing mentally the developments of the past year in an attempt to estimate the progress that has been made, I find that I naturally classify developments under legislation, competition and miscellaneous developments, the latter including investigations, prosecutions, publicity and other activities which do not naturally fall under the first two headings. As this seems to be a natural division of the subject I shall attempt, so far as this brief report will permit, to inform you of the progress made in these directions since we last met in June, 1912.

## LEGISLATION.

The past year has been marked by an unusual amount of activity as regards legislation. About 60 bills affecting the business of small loans were introduced in 24 states. The problem has been to secure the passage of laws under which remedial loan societies may be organized, which permit honest capital to

embark in the business on a fair profit-making basis under regulation and control, and which provide adequate penalties for all who attempt to operate in defiance of law. To defeat the passage of seriously defective bills and bills clearly drawn in the interests of the high-rate money-lenders, to keep track of all bills introduced, to carry on an active correspondence with legislators and others interested in twenty states, to attend legislative committee hearings whenever possible, criticising bills introduced, suggesting amendments, giving information regarding laws in force in other states and preparing new bills for introduction has required considerable time and effort. For many reasons entire uniformity of small loan legislation has been impossible of obtainment but upon all state legislatures considering this subject has been urged the adoption of the following provisions which seem to be fundamental.

1. License for all money-lenders engaged in the business or charging more than the banking rate of interest, inclusive of fees and charges of all kinds.
2. Bond to insure observance of law.
3. Adequate interest rate (two or three per cent. per month) reckoned on unpaid balances. Fees prohibited or, if allowed, safe-guarded against undue repetition.
4. Supervisory officer created to enforce the law.
5. Adequate penalties for violations, including revocation of license, fine and imprisonment and recovery of excess payments by borrower.
6. Notice to employer and consent of wife to an assignment of wages.
7. Adequate records kept by licensees and inspected by supervisory officer.
8. Copy of the law and memorandum regarding the loan given to each borrower.

Of the bills introduced in twenty-four states, seventeen contained a majority of these provisions and in seven states measurably satisfactory laws were enacted.

A law passed in Oregon requires all money-lenders who charge more than 10 per cent. per annum to be licensed by the state banking board, paying an annual license fee of \$50, and filing a bond in the sum of \$1,000. Licensees must keep a register

of their operations open to the inspection of the superintendent of banks; an interest charge of 3 per cent. per month on monthly balances in addition to the actual cost of recording is allowed on all loans of less than \$300. Borrowers are to receive a duplicate of all papers signed and a receipt for all payments. Complaints against licensees must be heard by the banking board and it is the duty of the board to suspend or revoke licenses in case of violation of the law. The superintendent of banks is empowered to make all necessary rules and regulations and a violation of the act or of the regulations is punishable as a misdemeanor.

The Colorado law requires all lenders who charge more than 12 per cent. per annum to be licensed by the state bank commissioner, to file a bond of \$2,000, to keep a register open to the inspection of the commissioner and to make an annual report to him. Licensees are allowed to charge 2 per cent. per month on monthly balances. The borrower receives a statement giving full information concerning the loan and receipts for all payments. Loans are limited to \$300. The commissioner must give a hearing upon all complaints and reject or revoke licenses for good cause. The commissioner is empowered to make necessary rules, and violation of the act or regulations is punishable by a fine and imprisonment.

The law of Missouri requires all persons engaged in the chattel loan business in cities of more than 30,000 population charging more than 8 per cent. per annum to be licensed by local authorities, to pay a license fee of \$25 and file a bond of \$2,000, subject to change by city ordinance. Licensees may charge 2 per cent. per month and an additional fee of not more than \$1.50 which may be taken not oftener than once each year. Loans are limited to \$300. Borrowers are to receive full information regarding their loan and receipts for all payments. Violation of the act is punishable by a fine or imprisonment and forfeiture of the loan.

The law of Minnesota permits corporations licensed in cities of the first class by local authorities to engage in the salary and chattel loan business. Loans are limited to \$200. A rate of interest not exceeding 1 per cent. per month is allowed and upon chattel loans a fee ranging from \$1.75 on loans of \$20 or less to \$5.75 on loans of from \$150 to \$200. The fee cannot be

charged oftener than once in each year. Dividends of licensed corporations are limited to 6 per cent. per annum.

The law passed in Indiana requires all persons loaning money in sums of \$200 or less upon which more than 8 per cent. per annum is charged to be licensed by the clerk of the circuit court, to pay a fee of \$50 and file a bond of \$2,000. Interest at the rate of 2 per cent. per month is allowed and a fee of \$3.00 which is safe-guarded against repetition. Penalties are provided for violation of the act and borrowers may recover all sums paid in excess of the rate allowed.

The law passed in Pennsylvania permits of the licensing of money-lenders by the court of quarter sessions. Licensees must pay a fee of \$100, and file a bond of \$5,000. The judges of the court are authorized to hold hearings upon applications for licenses and given power to refuse license for just cause. Licensees may charge interest at the rate of 6 per cent. per annum and an additional fee of 1/10 of the amount loaned, together with an examination fee of \$1.00 on all loans of \$50 or less. It is the intent of the law to limit the time for which the fee can be charged to four months, making a total charge for the year of 30 per cent. in fees, 6 per cent. interest plus an examination fee of \$1. No charges except the examination fee can be made at the time the loan is granted. Interest must be charged on unpaid balances. If the loan is not made the examination fee must be returned. Borrowers are to receive cards containing full information regarding the loan and a copy of the section of the law governing the rate of charge together with receipts for all payments. If the loan is secured by an assignment of wages a copy must be filed with the employer within three days after the loan is made. Violation of the act is punishable by fine, imprisonment and revocation of license.

A law enacted in Maine forbids persons in that state acting as agents for non-resident borrowers with intent to evade the usury laws in force in the state in which the borrower resides and loans made for a foreign principal in violation of the act are voidable at the option of the debtor, such option to be exercised by him in any state where the contract made by him is attempted to be enforced. This law is designed to prevent the continuance of the inter-state loan business which has been con-

ducted for some years in New York and other large cities by money-lenders having their offices in Portland, Me.

The bill to regulate the small loan business in the District of Columbia which has been before Congress for a number of years has finally been enacted with an amendment reducing the interest charge allowed to licensed companies from 2 per cent. per month to 1 per cent. The President in signing it expressed a doubt as to the adequacy of the interest rate but apparently thought it better to sign the bill and trust to Congress to increase the rate later than to veto it and render the long campaign entirely fruitless. One of the unfortunate effects of the passage of the bill in this form is the influence it has had on a number of state legislatures considering small loan bills. This influence was apparent in the defeat of a satisfactory bill introduced in the Iowa legislature and in the passage by the Nebraska legislature of a bill satisfactory in most respects with the exception of the interest rate which is limited to 1 per cent. per month.

In Illinois a bill to permit of the organization of societies loaning money upon assignments of wages at an interest rate of 3 per cent. per month, with dividends limited to 6 per cent. per annum passed both houses and is expected to be signed by the Governor.\* In a number of states good bills passed one branch of the legislature to be defeated in the other house. The bill enacted in Wisconsin reduces the maximum charge upon small loans from 24 per cent. per annum to 14. An attempt is being made to secure the repeal of this law.

An obnoxious bill passed by the New Jersey legislature was vetoed by the Governor.

It is my unpleasant duty to report a conspicuous legislative step in the wrong direction in New York State. An obnoxious bill was introduced in the Assembly in March and condemned generally. In the closing days of the session a substitute bill only slightly less objectionable was suddenly reported by the Rules Committee and advanced to final passage. It was opposed by the New York Bar Association, the Legal Aid Societies of New York and Buffalo, the Russell Sage Foundation and many other institutions and individuals interested. It was forced through the Senate in the last week of the session. The Gov-

\*This bill became a law June 13, 1913.

ernor, ignoring all opposition and requests for a public hearing, signed the bill. The principal objections to the law are as follows:

It creates a supervisor of small loans with entirely inadequate powers of supervision. It allows unreasonably high charges upon loans made by licensed companies, annuls the imprisonment penalty for usury both as regards licensed and unlicensed lenders and repeals a beneficent law of the state requiring all assignments of wages to be filed with the employer. An attempt will be made to secure the repeal of this law during the next session of the legislature. A bill drafted for future introduction appears as Appendix II of this report. This unfortunate measure is in a slight degree off-set by the passage of a very meritorious act permitting the organization of co-operative banks in urban and rural communities. In the main it has been a satisfactory year as regards legislation, and it is disappointing that it should have been marred by the passage of the New York act.

#### COMPETITION.

The membership of the Federation has been increased during the year from twenty-four to thirty-three societies. Of the nine new societies admitted six were organized since our last convention, the remainder having been organized in the preceding year. The new societies admitted are:

Provident Loan Society, Seattle, Wash., with a capital of \$50,000.

People's Loan Co., Portland, Me., with a capital of \$10,000.

Provident Loan Society, St. Paul, with a capital of \$30,000.

Indianapolis Public Welfare Loan Association, Indianapolis, with a capital of \$24,000.

San Francisco Remedial Loan Association, with a capital of \$90,000.

Provident Loan Society, Rochester, with a capital of \$50,000.

Remedial Loan Society of Buffalo, with a capital of \$20,000.

Onondaga Provident Loan Association, Syracuse, with a capital of \$30,000, and the

Duluth Remedial Loan Association, with a capital of \$20,000.

A society has also been organized in Youngstown, Ohio, with a subscribed capital of \$50,000, which is undoubtedly eligible for membership.\* Societies are now in the process of organiza-

\*Admitted to membership July 9, 1913.

tion in Oakland, Cal., Portland, Ore., Birmingham, Ala., and in Jersey City, N. J. In a score of other cities an active interest has been aroused and I confidently expect that the number of societies formed in the coming year will greatly exceed any previous year's record. Reports indicate that all of the societies in operation have had a successful year. They have proved themselves a practical and measurably successful means of accomplishing what drastic legislation and public clamor have been powerless to do. The usurer has not been entirely eliminated from any city in which a remedial loan society operates but his exactions have been reduced appreciably. The remedial loan idea has been removed from the experimental state and organizers of societies in other cities are assured of success under proper management from the beginning.

It was to be expected that the agitation would arouse the interest of men who see in all such movements an opportunity for personal gain. Many such have attempted, in some cases successfully, to organize loan companies, seeking to attract capital by holding out the promise of unlimited dividends, and reserving for themselves a substantial commission in promotion fees. It is believed that no organization advocated by professional promoters or which promises unlimited dividends to investors should be considered remedial in character. The policy has been to discourage promoters from entering this field and whenever inquiries regarding organizations of this sort have been received an energetic attempt has been made to prevent their getting a foothold.

#### MISCELLANEOUS DEVELOPMENTS.

The limits of this report will permit of only a brief reference to some of the year's developments making for a wider and better understanding of the problem with which we are dealing.

There has been no decrease in the activities of prosecuting officials. Many usurious lenders have been convicted and the courts have shown a disposition to deal out heavy fines and substantial prison sentences. Unfortunately the persons convicted have in many cases been the agents and not the real proprietors.

A motion picture film showing the evils attending the loan shark business has been produced by the Edison Co. and exhib-

ited in many cities. The film attracted the attention of many newspapers and magazines and a leaflet describing it was distributed widely by the International Reform Bureau, the General Film Co. and the remedial loan societies in eight cities. One society alone distributed 18,000 copies.

The secretaries of charity organization societies have given valuable co-operation in securing legislation and in organizing new societies.

The subject of co-operative credit which has previously been discussed by you has received a new impetus this year. A commission made up of delegates from most of the states of the Union is now in Europe studying the co-operative banking system. In addition to the Massachusetts credit union law, laws have been enacted in Texas and New York authorizing the organization of credit associations. In the latter state it is planned to secure the establishment of credit unions among the employes of several large industrial establishments and in a rural community; to postpone further organization for a time while these experiments are being made. Already eight credit unions are operating among the Jewish farmers in New York.

The literature of the Federation and the Russell Sage Foundation has been sent as usual to a rapidly growing mailing list. An encouraging development has been the increased number of requests for these pamphlets received from libraries and colleges throughout the United States.

Our inability to publish more than one number of the Bulletin has been a source of personal disappointment. As the Bulletin was intended primarily to serve as a medium for the exchange of ideas and experiences by the members of the Federation, I hope that it will be so utilized during the coming year. The next issue will contain the stenographic report of these meetings and I am confident that it will prove of great value, particularly to the newer members and to persons now engaged in organizing societies.

## THE BEST WAY TO DEAL WITH DELINQUENT BORROWERS.

R. M. RUTHERFORD, Louisville, Ky.

Of the many difficult problems facing the remedial loan manager, I consider the proper handling of the delinquent borrower one of the greatest. The remedial loan association fills the gap between the bank and the organized relief society, and draws its clients to a great extent from a class of people who are "down and out," and come to the association as a last resort. The difficulty in handling this problem is due to the fact that while the remedial loan association is a business organization and must be run on business principles, its two chief functions are to relieve distress and prevent it. Each case should be handled in such a way as to protect the association against loss and at the same time to give the borrower every opportunity to "get on his feet" again.

It is impossible, therefore, to lay down iron clad rules, as the causes of distress are so varied. Each case should be handled independently, taking all the circumstances into consideration. The remedial loan manager, therefore, should have discretionary power and should not be hampered by set rules made by those who necessarily are not familiar with the peculiar conditions surrounding each case. He should be a man of sound judgment, with good business training and sufficient experience in dealing with men to be able to distinguish the "dead beat" from the worthy man in need of help.

Almost every condition in life and every type of character is represented by the borrowers of the remedial loan society. The newly organized society is apt to be flooded with applications of every description, and fortunate indeed is the manager who, at the end of his first year, finds that he has not (in his zeal to carry out the philanthropic idea) made loans to many "chronic delinquents" turned over to him by the accommodating loan shark.

Among the many types of borrowers we have the man who has never borrowed before, but who needs a temporary loan to help him meet some unusual expense. We have the man who had been regular in his payments until loss of position, death in

the family or other misfortune overtook him. He is honest, conscientious and doing his best under trying circumstances and is entitled to the greatest consideration. Then we have the man without strength of character to meet adversity, who becomes dishonest through misfortune, or who on account of continued favors granted, considers as his due and takes advantage of the leniency extended. We also have the thoroughly indifferent borrower who is able to pay, but who treats his obligation lightly and spends his money in other ways. We have the man who, when he has repaid the principal, considers the obligation discharged, and neglects the small balance of interest due. We have the broken down aristocrat, always "hard up"; and the clerk living beyond his income, expecting an increase in salary. Of course, the "chronic borrower" and professional "dead beat" are always with us. And so the list could be continued indefinitely. Every manager knows these types. Each presents a separate and distinct problem.

As manager of the People's Provident Association of Louisville, I have had almost every class of borrower to deal with. I am fortunate in having, as an assistant, a man of marked ability, sound judgment and untiring energy, whose duty it is to look after our delinquents. Louisville is an industrial community and the laboring classes receive their wages weekly. A large number of our loans are, therefore, made payable in weekly installments, as we realize that the only time this class of people can pay, is when they draw their money. We find that if they miss a week or two, they rarely "double up," but gradually become more and more delinquent. If no attention is paid to our written notice of delinquency, we deem it necessary to make a personal call. We use an automobile which has covered over 25,000 miles in the last twelve months. Fully two-thirds of this distance was covered looking after delinquent loans, many of which would have been lost had we not given them personal attention.

We also have a large class of worthy borrowers who pay promptly when called on, but for various reasons do not or will not come to the office to pay. This seems to be peculiar to Louisville, as I understand other remedial societies find it unnecessary to employ collectors.

Our losses since organization two and a half years ago, have amounted to \$106.35, or about 1/20 of 1% of the business done. This includes every unsecured balance on our books which I can conscientiously charge to "Profit and Loss." Some of this may yet be collected. \$58.00 of this loss was caused by dishonest borrowers shipping their property out of the state and disappearing. Against this sort of dishonesty we have no protection except constant watchfulness.

Our business has now grown to such an extent that it is impossible for one man with his other duties to properly look after the delinquents, and our force will have to be increased from time to time as the business grows. We have many past-due loans on our books, amply secured, which could be collected at any time by foreclosure and sale of the security. But the peculiar conditions surrounding each case are such that it would be unwise and in some cases almost inhuman to force a settlement at this time. We believe, by extending unusual leniency, many of these delinquents will eventually be able to pay off their obligations.

As long as a borrower acts in good faith, and we believe him to be honest and doing his best, it is our policy to help him and grant every reasonable extension. But if he has become thoroughly indifferent to his obligation, and could pay if he would, or if we think him dishonest and trying to defraud us (and we have had many such cases), we use every means at our disposal to protect ourselves against loss.

Before foreclosing a mortgage, having exhausted every other means of bringing the borrower to his senses, we have our attorney write a letter. This frequently brings results, as the average man has a wholesome dread of a law suit. If this fails we file suit to foreclose, and take judgment. This does not mean that we then sell the security. It costs only \$2.00 to foreclose, which is a protection, and puts the property in shape to sell if it should become necessary. The judgment can be held indefinitely, giving the delinquent an opportunity to make small payments, if unable to settle in full. It shows to the indifferent or dishonest borrower that we intend to obtain fair treatment in return for our favors.

Out of forty-seven mortgages foreclosed as a last resort in two and a half years, twenty-nine have been paid in full, and we are receiving regular payments on fifteen. We have had to sell only one lot of chattels since our organization.

We have in several instances made second loans to people whose first mortgages had been foreclosed, and in each case have found the second loan satisfactory, proving that the former experience had been a valuable lesson.

The lot of the remedial loan manager is by no means a "bed of roses." No matter how careful and conscientious he may be in the discharge of his duties, he will be criticised and often condemned. But when he uses his best judgment and follows the dictates of his conscience, he should be impervious to criticism and handle each case with justice properly tempered with mercy.

I wish to add that when I suggested this topic for discussion, it was not my intention to write a paper on the subject. I was seeking information myself. I am therefore unable to tell you the "best way to deal with delinquent borrowers," but have told you how we deal with delinquents, under the peculiar conditions existing in Louisville.

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#### CHARACTER REFERENCES.

CHAS. H. BROWN, JR., Buffalo, N. Y.

In loaning money on chattel mortgages it is customary to satisfy oneself, first, that the applicant has sufficient security; second, that the security is actually his and is unencumbered; third, that the applicant will be able to repay the loan; and fourth, that his personal character is such that he may be trusted.

His qualifications on the last named point are at once the most difficult to ascertain, and of the utmost importance to the lender. The applicant may have actual possession of sufficient security, and may be amply able to make his payments promptly, but if he does not intend to repay, if he has not the proper sense of his responsibility, the lender is not protected, and the result very likely will be a loss of the money advanced.

It is comparatively simple to determine the value of the security offered; it is hardly less easy to determine the ownership of the security, and ordinarily it is not an extremely difficult matter to fix his ability to repay. But to arrive at a just estimate of his character, of his honesty and integrity—this, I believe, to be the most difficult work involved in the whole business of loaning money. Ability to do this characterizes the successful manager.

Three things enter into the matter of judging a man's character. First of all comes the impression made upon the manager at the time the application is made. Here we are immediately confronted with a problem. Our experience in Buffalo is that in a large majority of cases the wife is the one who originally makes the application. Of course, it may be said that that presents no difficulty since the wife manages the finances in a large proportion of families who are customers of a loan association. That is absolutely true, but it does not alter the fact that we should know something of the husband. In at least half the cases we never see the husband at all until the loan has been granted and he comes to sign the mortgage. To my mind an intelligent handling of an application demands some knowledge of the character of both the husband and wife.

Let us suppose that the impression made by the wife in applying for a loan is in every way satisfactory. She looks you in the eye, tells you a straightforward story, answers questions intelligently, assigns a perfectly legitimate reason for desiring the loan—in short satisfies the manager or his assistant that she is a safe risk. Still the husband's character is entirely unknown except as it may be judged by the general impression made by the wife.

The second factor that enters into the final determination of the character of the applicant is the condition of the home as reported by the appraiser. Here again an excellent opportunity is afforded for estimating the character of the wife. A neat, well-kept house however simple or humble is a pretty sure index to the character and habits of the housewife. Signs of thrift or the reverse are easily discernible. But whose thrift? We said some time ago that the wife is usually the manager of the family income. May not these signs of thrift emanate solely from her

personality? Are we sure of the husband? Do we know much more about his personality than we did before? Can we be sure that he gives all the contents of his pay envelope to his wife? Can we be sure that the money she has to handle will leave any margin over actual living expenses, with which to repay the loan? Suppose the wife should die before the loan is paid up. Who then but the husband would be responsible?

This is the extreme of caution, you may say. The average person is inherently honest and upright. That admits of no argument. If everyone were honest and upright the work of the manager of a loan society would be simple, easy and uninteresting. It would not have drawn into the field such men as I am addressing. It is the incessant exercise of one's intelligence in avoiding the danger of loaning to the dishonest, the crook, the gambler, and what not, and in working for the honest, the thrifty, the unfortunate—helping, uplifting and encouraging them—that makes the whole work worth while, from the manager's point of view. That goes far toward being his reward for the life and heart he is putting into the work.

If we never see the husband until the loan is granted and it is too late for retraction, how are we to know whether he as well as his wife is to be trusted? Plainly we must accept the judgment of a third party. Who shall that third party be and how shall we approach him? Shall we establish the identity of this third party, this "character reference" by questioning the applicant?

The applicant will undoubtedly give the names of people with whom he is on good terms, people who are likely to give favorable answers to our questions. The value of information from such a source is very doubtful. The last thing the applicant would think of doing would be to give the name of any person who knew anything bad about him. And yet just such information is what we must constantly be looking for. But if we do not ask the applicant for a reference how shall we proceed? If we learn the name of a reference from an applicant then how shall we approach him? How secure information without embarrassing the borrower by disclosing the nature of our business? These are pertinent questions. They involve the very meat of the argument. Upon their answer depends in great measure the safety of the loan.

To be of any value at all the character reference must be some person who knows the applicant well enough to form an honest opinion as to his reliability and he must be willing to impart that opinion to us frankly. In many cases we run against a stone wall at this very point. We learn from the wife the name of her grocer, butcher, or family doctor. The appraiser calls on the grocer, let us say, and asks what he thinks of Jones, the applicant. Very likely the grocer's first question is, "Who are you?" No manager wants to advertise the troubles of his applicant and least of all does he want the butcher or the grocer to know that he is short of funds. In eminently worthy cases such knowledge on the part of the tradespeople might cause actual suffering through curtailment of credit.

Of course, in this whole discussion I am taking what is perhaps the exceptional case. Many times it is very easy to secure character references of undoubted value without causing any injury to the borrower. Many grocers are willing to give information to strangers. Many men will answer reference letters which do not disclose the nature of the business involved. But it is the most difficult case that is the most interesting and in every way most vital to the successful conduct of the loaning business.

Our practice in Buffalo is to ask the applicant, at the time the application is made, for the names of at least two people to whom we can refer as to his character and reliability. If possible one of these should be a tradesman whose place of business is near the home of the proposed borrower. We send our printed form of reference letter which bears merely the address of our office, without the name of the society, inclosing a return envelope directed to me personally. Very likely this procedure is familiar to you all. In addition the appraiser calls in person on the grocer or the butcher and endeavors to learn what he can. He also tries to find from this source the name of any other tradesman patronized by the applicant. This is an expensive method because it requires so much of the appraiser's time. But, except in cases where information is absolutely refused, I have found it quite satisfactory. When the tradesman refuses information we have to rely on responses to letters. These are far from satisfactory, even when questions are freely answered, for the

average man dislikes to put unpleasant things on paper, and because of the unknown source of the request he is generally willing to answer questions in favor of the applicant. If he is an unusually painstaking and careful individual he is more than likely to refuse to give any information whatsoever.

A good example of the small value of reference letters occurred in Buffalo only last week. A man applied early in February for a loan of \$30.00. He referred us to two well-known men, one of whom was a personal acquaintance of mine, the other a member of congress. Both these gentlemen returned our letters saying that they had known the applicant for upwards of twenty years, and knew him to be reliable, temperate and so forth. The loan was granted, and for three months the payments were made promptly. When the June payment became overdue our machinery for collecting was put in motion. Our first notice was returned by the post-office marked "not there." Our investigator called and after several hours' work in the neighborhood discovered that the borrower had sold the goods and disappeared. Not even his mother knew his whereabouts. He had been caught in a dozen crooked deals and it developed that both he and his wife were of bad character. And yet his character references wrote two of the most satisfactory letters we have ever received. We later located the goods in a second-hand store and recovered the entire balance due on the loan.

It is our experience that the family doctor, who is usually well qualified as a reference, refuses to answer our letters. It would seem, then, that the butcher or the grocer furnishes the most dependable source of information, especially when questioned personally by the appraiser. It is in cases where no information can be secured in this way that the manager, especially the new, inexperienced manager is most helpless. It is regarding such cases that I hope this Federation may have some discussion, from which I am sure much valuable and helpful advice may be gleaned.

## PUBLICITY AND ADVERTISING.

R. R. STEVENS, New York, N. Y.

When the Committee asked me to read a paper at this meeting, I declined for the reason that such ideas as I have are drawn from an experience of only eighteen months in this work, and consequently are not particularly valuable or authoritative. The Committee overruled this objection, saying that the man who is facing for the first time the problems of running a remedial loan society is just the one to bring forward for discussion the subjects in which he is interested. I finally agreed to write a paper, and the subject of "Publicity and Advertising" was assigned me, because it is one in which I am particularly interested.

I feel that membership in the Federation will be valuable to my society in so far as I am able to bring my problems and theories of management to the other members for discussion and advice. In fact, the value of the Federation as a whole to its members, after they have passed the organization stage, will be measured by the extent to which the meetings result in a standardization of methods of doing business. In all the old established lines of endeavor, such as banking, manufacturing, etc., long experience has proved that there is one best way of conducting each kind of transaction, and it will be decidedly to our advantage, as members of the Federation, to standardize our methods in the same way. Accordingly I shall be glad if you will make notes on the points which I touch upon and bring them up later for informal discussion.

The Chattel Loan Society did not do any advertising during the first months of its existence, and for two reasons: First, considerable space was given in the newspapers to the organization of our society. This sent us as many applicants as we could comfortably handle for some time. Second, we wished to go slowly at first and not attempt to handle a large volume of business until our office staff had had time to gain experience. For these reasons I should think it would be wise for any new company to follow the same course.

The initial stage once past however, the question of advertising must be squarely met and disposed of, and directors must decide whether or not they will advertise; if so, how much they can reasonably afford to spend; the kind of advertising they will spend their money on, and the mediums best suited to their purposes.

To my mind this question of advertising goes to the very root of the remedial loan movement. My knowledge of the history of the societies making up the Federation is necessarily limited, but I think I am correct in stating that they were organized to accomplish a specific purpose, viz:—to supply to their respective communities better and cheaper borrowing facilities than had previously been supplied by the so-called “loan shark.” At first thought it would seem that the only thing necessary is to organize a company and depend upon the laws of competition to turn borrowers away from the offices of the “loan shark” to the much cheaper remedial society.

This may work out in small communities, but in a large city there are many obstacles to be overcome. It is not enough to organize a society where people can get cheap accommodations, and then sit down and wait for business. It is a legitimate and necessary part of every remedial society’s work to make its existence known to every person in the community who is likely to be in need of its facilities, and to make its existence known in such a manner that the people will clearly understand the essential points of difference between the remedial society and the “loan shark.” By such action the avowed purpose of the founders of remedial societies will be accomplished and incidentally the maximum volume of business will be done.

A new loan society like any other new business is an uphill proposition for the first couple of years. The manager is always struggling to keep expenses down and for that reason is very likely to look with disfavor upon any outlay for advertising except what he is forced to make to bring in a sufficient number of applicants to keep the wheels turning. Such a stand is not justified. After the first six months a definite advertising campaign should be outlined and a definite amount should be appropriated for advertising. For reasons previously stated, I feel that a good line of advertising is just as essential to the success

of a society as an efficient manager. For that reason I believe that an amount at least equivalent to the manager's salary should be appropriated for advertising. This may seem a drag at first, but if it is spent on a campaign intelligently planned it should bring returns of ever-increasing volume.

Just what kind of advertising is best adapted to our line of business it is rather difficult to say, but generally speaking our advertising should be educational in nature. The large body of non-borrowing citizens in any community knows next to nothing about the practices and charges of the "loan sharks." As far as they are concerned our position is exactly the same as that of the manufacturer who sets out to put a new product upon the market. A campaign of education must be inaugurated. The public must be familiarized with what we are trying to sell. To non-borrowers our rates often appear too high. Inasmuch as we desire the good opinion and support of this class of citizens, they must be convinced of the reasonableness of our charges. With borrowers the case is somewhat different. They are usually anxious to borrow where they can borrow cheapest, and my difficulty has often been to bring home to them the fact that our rates are cheaper than those of the "loan shark." A large proportion of applicants who come to the Chattel Loan Society do not know how to figure percentages, so that for us to say that we loan at 2% per month on daily balances, means absolutely nothing to them. It seems to be the habit of borrowers to look upon a \$50 loan as the same in all cases, whether it is repaid in three equal payments or ten equal payments. As the "loan sharks" usually loan on a three or four months' basis I find it very effective to figure out on the same basis the cost of popular loans at our rates. The borrower is thus enabled to compare costs, and the argument is a telling one.

The natural and possibly most effective medium for bringing our product to the attention of the public is the newspaper. There is usually one paper at least in every community in which "loan shark" advertisements appear, and I think it is desirable for a remedial society to place its advertisement in the same column with the others, care being taken that it is unmistakably different in character.

Owing to the cost of advertising space in the newspapers,

the subject matter of newspaper advertisements will necessarily be limited. For that reason it seems to me that the printed circular is admirably adapted to our purposes, because in a circular one may use sufficient space to emphasize the important points. A proper distribution of circulars is something of a problem. In smaller communities it would probably be effective and satisfactory to make a house-to-house distribution, but in a large city like New York, where large numbers of people live in apartment houses, this sort of distribution is impossible. Here it is necessary to send the circulars through the mail, using selected lists of addresses. The Chattel Loan Society has done a great deal of this sort of "publicity" work, and we always send our circulars in a carefully addressed sealed envelope under a two-cent stamp.

Other common mediums of publicity are sign boards and streets cars. We have never experimented with sign boards, and I am particularly interested to know if any of you have tried anything of this sort. It has been our feeling that street car advertising would prove effective, but owing to the fact that it is extremely expensive we have not yet been able to see our way clear to undertake it.

I have always felt that if we were doing business in a smaller community I could make my office location count as a telling element of publicity. It would seem that it would be very advantageous in any comparatively small place to have the office centrally located with large second-story windows looking out on a much frequented street. These windows could be used to good advantage.

A society so located might also make good use of an electric sign and the returns should be commensurate with the expense involved.

It goes without saying that in any place large or small, social agencies, ministers, etc., should be supplied with the society's literature, and should understand and appreciate what it is trying to accomplish. The Chattel Loan Society has sent a circular letter and pamphlet to all the ministers and social agencies in New York.

So far our advertising has been experimental along the lines which I have indicated. I am particularly interested in hearing

from the other members what they have tried and what results they have obtained.

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### MAKING MONEY FOR THE SMALL BORROWER.

A. L. WHITMER, Sioux City, Ia.

Sioux City, Ia., is a city of about 55,000 population, and a thriving distributing center.

The society of which I am the manager is assisting small borrowers to obtain loans at the lowest rate of interest that will allow a reasonable dividend to its stockholders. During the past year the society has saved a large amount of money for small borrowers who have been in the clutches of usurious money lenders by settling their indebtedness on a reasonable basis. When money is borrowed from our society to effect such settlements, no charge is made for our services. We have settled a great many cases and we are convinced that the method we are now using is the most satisfactory one.

Having satisfied ourselves that the applicant is worthy we offer to the "loan shark" the amount of principal due together with interest at our own rate. At first the money lenders refused to accept such offers but they now do so readily. When we attempted to procure a settlement without taking the borrower with us to the "loan shark's" office we met with a request for delay and immediately thereafter the "loan shark" attempted to enforce the payment of his claim by threat of publicity, foreclosure, etc. We now have each borrower accompany us to their offices. Not only do we effect settlements of unjust claims, but we advise borrowers in regard to investments. We are glad to assist all industrious applicants in getting a start provided their proposed investment seems sound and likely to prove profitable. Frequently we are forced to dissuade applicants from buying land at outrageous prices or investing in ventures likely to prove disastrous.

Shortly after our society began business, we loaned a lady \$200.00 to open a small grocery store. She has since repaid the loan and now has sufficient capital to discount all her bills. Her business has grown to such an extent that the quarters in

which she began business have become inadequate, and have been greatly enlarged.

An engineer on the Milwaukee road whose salary had been garnisheed by an extortionate money lender, applied to us for assistance. Investigation proved that he had given three assignments of his salary, five chattel mortgages against his household goods and, with other obligations, was in debt to the extent of \$800.00. His trouble seemed due largely to sickness and poor management. The company's pay roll showed that his salary averaged \$200.00 per month. We loaned him about \$200.00 to take up the assignments against his salary, making settlements at our own rates. We then informed his creditors that each month his salary check would be paid to us and that after allowing him enough money for his living expenses we would apportion the balance among his creditors according to our best judgment. This was entirely satisfactory to every creditor except one money lender and there was nothing left for him to do but to take his share each month. This month we will pay the last installment of the man's indebtedness. Needless to say, the man has complete confidence in us and is very grateful for what we have done for him.

We recently received the following letter from the president of a large company to whom we had written regarding an applicant in his employ:

"Replying to your favor of the 16th inst., would say that Mr. —— has been working here for a short time. Our foreman tells me that he has had some misfortunes. I have not seen him, but I am so much in sympathy with the good work that your association is doing, that I will personally guarantee his account. I will take it up with Mr. —— at the first opportunity and if he fails to make his payments I will see that you lose nothing. It is a grand work that your association is doing, and I wish you every success."

## LOSSES AND REJECTIONS.

HUGH CAVANAUGH, Cincinnati, O.

"Can the business of loaning on chattels be conducted at a fair and reasonable cost and with reasonable assurance of safety to those contributing the necessary capital?" This is the essential question asked by every correspondent seeking information upon the chattel loan business with the view of instituting a remedial loan society.

This meeting to-day, representing as it does thirty-three successful remedial loan societies, answers the question in the affirmative. A careful reading of the annual reports sent out by our Federation indicates that without exception the societies represented therein have been successful. To illustrate this point I have selected the nine chattel loan societies which have been in existence at least seven years and submit a review of their business as reported at the convention of 1912.

From the figures presented I find that the nine societies made during the year, 21,324 loans amounting to \$1,215,105. The aggregate losses in this vast amount of business were only \$5,320, or less than one half of one per cent. The percentage of loss varies very little in the case of each company, for it is a rare thing to report a loss in any year in excess of one-half of one per cent.

It has been my privilege to speak on the subject of remedial loans before a number of organizations of business men and invariably this particular feature of our work has caused them to inquire how a business of this kind can be conducted with so small a loss. My answer, based upon my experience, which no doubt is not materially different from that of the other managers, is that we apply the same business judgment and care that any business house is expected to use in opening a credit account with a new customer. I take the position that no business house will extend credit to a person with a bad paying record. Even the loan shark will not knowingly grant a loan to a person whose record indicates that he will fail to keep his agreement. The last line in the application of the Citizens Company covers this point, viz: "The Company deals only with persons of good character,

and false statements or material concealments in the above application will vitiate the agreement."

An essential qualification of the manager or the person taking the application for the loan is that he be a judge of character and be able to gather much by intuition. Great care should be exercised that no injustice is done a worthy applicant. An applicant may be in very straightened circumstances, out of work and down on his luck, and at first blush may appear to be a poor risk, yet if he appears to be a man of good character he should be entitled to the society's consideration.

The care exercised in investigating applicants will have a great deal to do with the profit and loss account for the year, and herein exists the relation between losses and rejections. In The Citizen's Mortgage Loan Company, the principal cause for rejection is willful misrepresentation. A great majority of those we have refused have made false statements in reply to our most important questions, this too when in many instances the truth would have served them much better. From the many thus refused, I select a few cases which occur to me at this time and will serve to illustrate my point:

"You ask a good many questions," said a woman applicant who was present with her husband. "Madam," I replied, "if you sat here as I do all day you would think my questions were not too numerous." Replying to her next question, I told her the following experience: "Only yesterday a woman applying for a loan said she bought all her furniture from A & Co., that it was all paid for and that she had the receipts at home. Upon investigation of this woman's case we found that she had never bought a dollar's worth from A & Co. and that her furniture bill was not half paid." One would imagine that this story would have served as a warning to this applicant, but such was not the case, for failing to hear from us she 'phoned to inquire why we had not kept our promise to call and examine the furniture. Not until we informed her that she was a counterpart of the woman I mentioned, and that she had misrepresented in the same manner, did she desist.

Frequently we are told that all the furniture in question was received as presents. In some cases this is true, but the exception is frequent. Just the other day a woman, in answer to the ques-

tion of ownership, said that her sister living in a town twenty miles away had given her all the furniture. She may have a sister, but the record indicates that there is a balance of \$145 due a furniture store for goods bought in the applicant's name.

The widow story does service frequently and is generally used in an attempt to obtain a loan without the knowledge of the husband who is still in the land of the living. Here is a message from one over the telephone: "Say, I thought you were going to send up to the house to examine my furniture. This is Mrs. J—, widow of Harry." To which I replied, "That is, you will be when Harry is dead." "Oh well, he is down south," replied Mrs. J—. "Yes, but yesterday you told me he was in heaven."

On another occasion, we pointed out to a lady who said her husband had died four years before, the name of her husband listed in the city directory as residing at her address. Her explanation was that she did not want her husband to know about the loan.

The manager of a loan company is likely to become impressed with the belief that no calling is free from the liar. A colored brother giving his occupation as a preacher of the Gospel, but who subsequently acknowledged that he worked at odd jobs in order to make both ends meet, on being rejected for lying said, "I applied at two other places before I came to you and I told them the truth, that my furniture is not paid for. They refused to make the loan. Then I lied to you and you won't make it. Say, what's a fellow going to do, any way?" Speaking of the colored brother reminds me of another case. It was a combination of humor and tragedy. A big, powerful fellow, as powerful as his ancestors in the jungles of Africa applied at the window with this little speech: "Say, Boss, I'se in the hands of the government." Supposing that he was holding some political job we asked him what he meant and then came this revelation: "I was paroled from the penitentiary yesterday. Here is my parole paper and it cost me \$25.00. Say, Boss, can I get \$25.00 on it?"

I also recall the case of a traveling salesman who introduced himself by saying: "I am on the road at a salary of \$3,000 per year and expenses. I want to make a loan of \$250, giving as

security a mortgage on my five-room flat, nicely furnished, including a \$400 piano all paid for, the receipts for which I have at home." I could not refrain from telling the young man that he did not impress me favorably, for the reason that I thought that a man with his salary should not be obliged to make a loan of that size. However, we agreed to make the necessary investigation. The next morning, when the young man called at the office, we told him that his wife had failed to show us the receipt for the piano. He said : "Oh, very well, I will go right out and get it." We answered that he would find that an impossibility as we knew there was a balance due of \$350.

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Morning Session, June 20, 1913.

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THE GIVING OF INFORMATION BY TRANSPORTATION COMPANIES OF THE REMOVING OF GOODS FROM ONE STATE TO ANOTHER.

CHARLES F. BIGELOW, Providence, R. I.

I presume that all of our societies that deal in chattel loans have been called upon many times to trace security which has been removed without our knowledge and consent. To find such goods when they have been moved from one location to another within the limits of a town or city or even a state, presents, ordinarily, no great difficulty. We are all acquainted with the usual methods of procedure in such cases and in Rhode Island we are fortunate in having as an aid to our search a law, recently enacted, which requires every mover of household furniture to register in the city or town hall the address from which he takes goods and the address to which he delivers them. The penalty for non-compliance with this requirement is a fine of five dollars for every violation. We expect this statute to be of material assistance to us as soon as its provisions are generally understood by those who are affected by it.

The problem is very different, however, when the security goes beyond the borders of the state. It is here that we come

in contact with the Interstate Commerce Law and the difficulty of locating goods becomes a much more serious question. Up to the time of the passage of this law, we in Rhode Island found the transportation companies very willing to render us every assistance possible in tracing goods which had passed over their lines into other states. The New York, New Haven & Hartford Railroad was especially courteous in such cases and in numerous instances went to considerable lengths in searching records and making investigations in our behalf. But after the enactment of the law the case became far different and we are now blocked in our efforts to gain the necessary information through what should be the obvious and legitimate channel.

The gist of the law referred to, in so far as we are concerned, is contained in two sections of the Act, reading in substance as follows: "It shall be unlawful for any common carrier, subject to the provisions of this Act, or any officer, agent, or employee of such common carrier, knowingly to disclose to or permit to be acquired by any person or corporation other than the shipper or consignee, without the consent of such shipper or consignee, any information concerning the nature, kind, quantity, destination, consignee, or routing of any property tendered or delivered to such common carrier for interstate transportation, which information may be used to the detriment or prejudice of such shipper or consignee; and it shall also be unlawful for any person or corporation to solicit or knowingly receive such information which may be so used; Provided, That nothing in this Act shall be construed to prevent the giving of any information in response to any legal process issued under the authority of any state or federal court, or to any officer or other duly authorized person seeking such information for the prosecution of persons charged with or suspected of crime. Any person, corporation, or association violating any of the provisions of the next preceding paragraph of this section shall be deemed guilty of a misdemeanor, and for each offense, on conviction, shall pay to the United States a penalty of not more than one thousand dollars."

Analyzing certain clauses in the Act we find it stated that it is unlawful for a common carrier to give "information which may be used to the detriment or prejudice of the shipper or consignee." It has been held that such information would be to

the detriment or prejudice of a shipper, even when he was endeavoring to cover up what would seem to be an illegal action, that is, the removal of mortgaged goods without the consent of the mortgagee. We find no provision in the law itself safeguarding the interests of the mortgagee. Further on the law states that "nothing in this Act shall be construed to prevent the giving of such information in response to any legal process." This would seem to afford a possible remedy, but I think we all know that legal process is at once a long and tedious affair and generally a costly one, and, in the majority of cases, the expense would not be justified by the amount involved. The law further states that it is not intended to prevent the giving of information to any "duly authorized person seeking such information for the prosecution of persons charged with or suspected of crime," but it is again held that we, as mortgagees merely, are not "duly authorized persons" under the meaning of this law and that, moreover, the information that we are seeking is not for the prosecution of a person or persons but for the purpose of obtaining possession of the property, which is undoubtedly the fact in most cases.

We have discussed the various phases of this matter with the counsel of one of our railroads and he has stated, very courteously but emphatically, that under the provisions of this Act he cannot advise any person connected with the railroad to give us any information regarding the destination of property shipped over his road to points outside the state. Our own attorney agrees that this is a proper construction of the law.

As regards the purpose of the law it would be difficult, of course, to fathom the workings of the congressional mind, but I think it fair to assume that its sponsors never had under consideration that phase of the subject which we are now discussing. What the law in effect intended to provide was that no corporation or person should be able to obtain any unauthorized information in regard to the acts of a competitor which would disclose that competitor's business transactions. It cannot be supposed that its provisions intentionally sought to protect a person doing injury to another, and yet as the law stands to-day it works serious injustice to you and me and does protect crime.

I do not know what experience other members of the Fed-

eration have had in this matter and should be glad to hear from them and receive any suggestions which they may offer.

MR. HAM :—Is it not true that the crime for removing mortgaged goods in Rhode Island is a misdemeanor? If you secured a warrant for the arrest of the absconding borrower, then having started criminal prosecution, could you not get your information from the railroad? The expense of getting a warrant is very small.

MR. BIGELOW :—This means delay and we would be too late in most instances to stop the goods from being shipped or from being reshipped from one place to another, as is often the case where it is the intent of the shipper to cover up the ultimate destination of the goods. The remedy for the situation should be in the law itself and not through recourse to a warrant or other legal process.

MR. BURNHAM :—It seems to me that this is a subject for possible legislative action.

On motion it was voted that a committee of three be appointed to take the matter up on behalf of the Federation with the Interstate Commerce Commission and make an effort to secure such regulations as are necessary to modify the unjust effect of the law.

The Chairman appointed as members of this committee Messrs. Bigelow, Thompson and Pond.

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#### PAWNBROKING RATES.

F. E. STROUP, Grand Rapids, Mich.

In Grand Rapids for more than a year there has been no "loan shark" problem. Of the seven companies formerly in the field, five have discontinued business and two have reduced their charges to legal rates. This condition was brought about without fines, imprisonment or arrests or any special activity on the part of prosecuting officials. Our company conducted a campaign of publicity, educating borrowers to the fact that they were under no legal obligation to pay usurious interest to any company and offered our services in settling illegal loans and making loans at

legal rates. In this way we effected over 500 settlements and forced the two remaining companies to loan at 2% per month. Since May our own charges have been reduced about one-tenth on all loans paid in accordance with the contract.

Grand Rapids has a population of 120,000 and the three legal rate companies now have about \$70,000 invested in chattel mortgage loans. When the seven "loan sharks" were in the field they had about twice this amount invested and at first it seemed peculiar that people should borrow twice as much money when the rate was approximately five times as high as it is at present. The explanation seems to be that about 65% of the former business was in salary loans, and we find hundreds of former borrowers in our list of applicants whom we have rejected because of inability to comply with our requirements. We have also found that the pawnbroking business has about doubled during the past three years. Those facts seem to account for the reduced amount supplied by the chattel loan agencies.

Most borrowers are not fortunate enough to possess both jewels and furniture, and those who do not have furniture often have diamonds and watches which they pledge for the money they think they need. The borrower who formerly secured money on his wages under a contract which could not be enforced now pays the same rate and pledges property, which, if he cannot redeem it, is always worth more than the loan plus the usurious interest. Although the Michigan law provides that when pledges are sold the surplus goes to the borrower, in Grand Rapids not a single instance can be found where this has been done, the surplus realized on unredeemed pledges constituting one of the main sources of profit.

In communities where there is no opportunity to pledge property at reasonable rates, is it not the duty of the local remedial company to provide such an opportunity? On investigation I am led to believe that in other cities the business of the pawn-broker increases in just about the proportion that salary loans decrease. A lady came to us recently for relief, who had pawned her watch and wedding ring for \$6.00 with interest at 10% per month. She had paid \$25.80 in interest and still owed the \$6.00. She could get 60 cents together each month to pay interest, but

could never accumulate enough to pay the principal. Many similar cases have come to our attention.

I corresponded with a number of managers regarding this matter and they were almost unanimous in the opinion that the remedial loan company owes something to the community in this direction. Some of them mentioned certain difficulties in the way, the principal ones being the high license fee charged in some cities and the necessity of employing an expert appraiser, whose services it might not be practical for the small company to secure. They advised me that in their cities the license fee for pawnbrokers ran from \$50 to \$1,000 per year. In most cities the saloon license is about \$500. It is difficult to understand why a larger license fee should be paid by pawnbroking companies which supply borrowers with money which in most cases they need, than is paid by saloon keepers who dispense a commodity not needed in the majority of instances.

It is reported that when the subject of adequate rates on small loans was up for discussion in Congress in connection with a bill for the District of Columbia, a senator urged that the business be limited to companies with a capital of \$500,000 on the theory that it would limit the number in the field and through the large volume of business in each office the cost per loan would be less. This he thought would have a tendency to reduce rates. If this is the theory of high license for pawnbrokers it does not work out, for in Louisville where the license is \$1,000 the pawnbrokers charge from 5% to 10% per month on the ground, I suppose, that they must charge this amount to get a profit above the high license fee. The manager in Louisville advised us that he avoided the extra pawnbroker's license by taking a chattel mortgage on goods of which he takes possession.

The present Michigan law allows pawn loans and chattel loans to be made with one license. Formerly a license for each was required and when our competitors found that in some cases we were taking the property into our possession they asked the license officers to compel us to take out a special pawnbroker's license. The city officials decided that on account of our taking written evidence of indebtedness we were not pawnbrokers and therefore not subject to an additional license. At common law a mortgagee of chattels is entitled to possession immediately upon

the execution of the mortgage without waiting until there has been a default on the part of the mortgagor. The modern chattel mortgage contains a provision authorizing the mortgagee to seize the property whenever he shall deem himself insecure. He must, of course, have reason for deeming himself insecure and surely the reason is sufficient when the chattel is a diamond or other small article which can easily be lost or disposed of.

Now as to the question of expert knowledge in making pledge loans. The successful chattels appraiser is compelled to have a good knowledge of the quick sale value of furniture, musical instruments, live stock, machinery, fixtures, stocks of goods, and dozens of other lines. Is it not possible for a person who is not an expert jeweler to acquire quickly a sufficient knowledge of the sale value of jewelry to make loans safely on pledged articles? The careful appraiser of chattels is very conservative in his appraisals when in doubt as to values and can he not pursue the same policy on pledge loans while getting his experience? Our company has arranged for a nearby jeweler to assist in determining values when the amount asked for approaches the apparent value of the pledged article.

The National Federation of Remedial Loan Associations has been a clearing house of policies, methods, and information which has enabled many of us as managers without previous experience to conduct a business usually regarded as hazardous with such small loss as to challenge the admiration of the business world. I appreciate the fact that I was not assigned this topic on account of any detailed knowledge I have of the subject, but having asked for information from nearly every member of the Federation, I take it that the Committee felt that a discussion of the problems that present themselves to me would interest every other manager who wants information for himself and his directors although this discussion would probably seem elementary to those long in the business. I know of no other way of obtaining the information that I am seeking. I cannot expect my local competitors to be very enthusiastic in supplying information to a company loaning at about one-fifth of their charges. I would feel well repaid for coming here if the discussion were to take up such practical questions as the following: On what percentage of wholesale values can loans on diamonds and watches

be safely made? What books, catalogues or price lists, which explain values, methods of weighing, measuring and testing precious stones and metals, are available and how and where can they be secured?

There seems to be a general impression that the pawnbroking business is hazardous on account of the danger of accepting stolen or contract goods. The last statistical report of the Federation shows that the societies loaning exclusively on pledges have by far the smallest percentage of loss. The losses of the First State Pawner's Society of Chicago were only one twenty-fourth of one per cent. of amount loaned; of the Provident Loan Society of New York one twenty-eighth of one per cent. and of the Collateral Loan Company of Boston only one fifty-third of one per cent. This is a remarkable showing.

Another favorable showing for pawning societies is their small operating expense as compared with chattel loan societies. In 1911 to 1912 for each one thousand dollars loaned it cost the First State Pawner's Society \$28.00, the Collateral Loan Co. of Boston \$18.00 and the Provident Loan Society of New York only \$16.00. The lowest cost on chattels appears in the report of the Provident Loan Society of Detroit which was \$47.00, and with the other societies the cost on each one thousand dollars loaned runs up somewhat higher.

I find the rate of interest on pledge loans authorized by law in the different states varies from 10% per annum to 10% per month. Rhode Island allows a minimum charge of 50 cents per month. Most of the states do not provide such a minimum and many managers with whom I have corresponded advise me that they limit their loans to a minimum of \$10.00. Their explanation usually is that smaller loans would bring a decided loss to their society. The St. Paul manager says: "The man forced to go to the loan company to borrow less than \$10.00 cannot afford to pay even 1% per month, much less the expense in making the loan. He should be able to postpone his obligation until pay day if he is working and if he is not, he should be referred to the Associated Charities instead of a loan company." We would not, of course, expect St. Paul to agree with Minneapolis. In the latter city, the manager thinks loans of from \$1.00 to \$10.00 should be made, and a minimum fee of 25 cents charged.

From the St. Louis manager comes this statement: "In our pawn department we loan \$1.00 at the same rate as large amounts, viz., 1½% per month. While in a transaction of this size we sustain a small loss, we add a new customer and the borrower of \$1.00 to-day may be the borrower of \$100.00 to-morrow. Every satisfied customer helps to advertise our society and in addition the man who borrows a small amount at an exceedingly reasonable rate is benefited by our existence."

This seems to be more in line with the policy of large societies in our Federation which limit their business to pledge loans.

Mr. Tucker of the Provident Loan Society of N. Y. states that an investigation of loans repaid during 1910 shows that out of 339,812 loans paid, 164,967 or nearly one-half the number paid less than 56 cents interest which was the operating cost on each loan. Nearly one-half of the loans paid during the year did not, therefore, pay their proportion of operating expenses without including the interest on the money employed. This society's annual reports show thousands of loans made at \$1.00 and less, and thousands more at \$5.00 and less.

The manager of the First State Pawnery's Society of Chicago states that 60% of his loans are for \$10 or less and are handled at a loss which is balanced by the income from the large loans. The last annual report shows about 48,000 loans made at an average cost of 69 cents.

The Collateral Loan Company of Boston now loans over two and a half million dollars a year at an average cost per loan of only 48 cents.

These societies employing millions of capital and having large surpluses do not, of course, establish a precedent for small societies doing a limited business and trying to show enough profit to make a safe investment for those who are asked to furnish capital. In my own city the pawnbroker doing the largest business reports his average loan as about \$5.00 and if made at legal rates practically all his loans would be made at a loss. The enforcement of a law that will not allow a fair profit does not appeal to prosecuting officers, but in countenancing small

violations of law in respect to overcharge there is danger of all kinds of irregularities creeping into the business.

Can we as a federation recommend a law which on very small loans will be fair to both lender and borrower? I take it that it is not the business of a remedial loan society to undertake to put all competitors out of business simply because they refuse to conduct all or a part of their business at legal rates when these rates are unreasonable and would incur a loss. It seems to me that it is inconsistent with equity and fair play to insist on observance of laws that are not equitable and that an agreement by the Federation regarding this matter ought to have a good influence upon future legislation, for the average legislator knows but little regarding the practical side of the small loan business. Mr. Ham and Mr. Cavanaugh suggest that a minimum fee opens up the opportunity for usurious companies to limit their loans to one month in order to repeat the minimum charge.

Is there any law in any state or can a law be framed that will be equitable to the borrower and the lender even in the case of small loans? Should the remedial loan societies make these small loans at a loss in order to meet the demand and prevent applicants from borrowing elsewhere from companies which may violate the law?

MR. HAM:—Will Mr. Burnham of Worcester, Mass., explain his method of appraising pledges and state whether he makes loans of less than \$10 in amount?

MR. BURNHAM:—I do most of my own appraising. In appraising diamonds I use accurate caliper scales for measuring and appraise the quality by comparing with a perfect stone. In the case of large appraisals, I depend up the assistance of a friend engaged in the jewelry business. We make pledge loans as small as \$1.00. Our minimum charge is 10 cents.

MR. POND:—What has been your experience in loaning upon watches?

MR. BURNHAM:—Very satisfactory. We have incurred few losses in loaning on that sort of security. A part of our business is loaning upon United States Steel stock, which employees receive as a bonus. Such small loans do not interest the local banks.

Sales of unredeemed pledges are held regularly at public auction. I am sometimes forced to bid in pledges personally and resell them at private sale in order to secure a satisfactory price. The law permits me to do this. In twelve years we have had no losses through loans made upon the pledge of watches or diamonds.

MR. HAM:—The society recently organized in San Francisco is conducting both pledge and mortgage departments. In five and one-half months it has loaned its entire capital of \$90,000, and has borrowed \$50,000 additional from the banks. The charge on chattel loans is 2% per month and on pledge loans 1½% per month. The large proportion of pledge loans made at a comparatively small expense is carrying the more expensive chattels department so that the society will undoubtedly show a small profit at the end of its first year.

MR. CRANE:—Our society in St. Louis has added a pledge department. In six months we have loaned \$27,000 at a charge of 1½% per month on loans of less than \$500. Large loans are made at 1% per month. There are 40 pawnbrokers in St. Louis and the majority of them charge 10% per month. Our pledge department should increase rapidly from now on.

MR. POND, (to Mr. Wolfert, Chicago):—What proportion of the purchase value do you loan on pledges?

MR. WOLFERT:—About 70% of the intrinsic value. The perfect, clear diamond is worth to-day at wholesale from \$180 to \$225 per carat. We loan from \$100 to \$150 per carat on diamonds or colored stones. We do not loan upon cheap watches; only standard American or Swiss watches are accepted.

MR. BROWN:—With one exception the pawnbrokers of Buffalo are charging 10% per month on loans and some of our directors feel that we should add a pledge department. In combining the pledge and chattel business in one office is it advisable to employ an expert appraiser to pass upon pledges, and what salary should he receive?

MR. BURNHAM:—Appraisers are subject to a great deal of temptation. I think you cannot secure a satisfactory man for less than \$1,500 a year.

MR. WOLFORT:—In Chicago we pay one appraiser who has been with us ten years, an annual salary of \$2,400. Another receives \$1,800 a year. Retail jewelers do not make good appraisers as they are inclined to fix too high a value on pledges.

MR. CAVANAUGH:—The Cincinnati Society does not do a pledge business but it settles many pledge loans. The pawn-brokers charge 10% per month, but they have agreed to release to us at our own rates any pledge in their possession.

MR. RUBIN:—I would like to say a word regarding legislation, which I believe is one of the most important matters affecting our societies.

The legislature of Wisconsin has recently passed a law reducing the charges allowed on small loans to such a point that the Provident Loan Society of Milwaukee will be unable to continue in operation unless the law is repealed. A repealing measure has been introduced and we have sent to each legislator a statement showing the effect of the present law. Mr. Ham was kind enough to write also to the legislators and the repealing bill has now passed the Senate. Whether it will pass the Assembly, I am unable to say. I believe this Federation should appoint a committee to draft a uniform law for each state covering loans on pledges, chattels, etc.

MR. HAM:—There are many difficulties in the way of securing the enactment of uniform legislation in any great number of states. It seems to be desirable to create a supervising authority. In states having an efficient banking department the supervision belongs properly in its hands, but in some states there is no banking department and in others the banking department exists in name only. In the matter of the issuance of licenses we found this year considerable feeling in one state against a bill which required a license fee to be paid to the state. Many people, desirous of securing good small loans legislation, insisted that the license be issued by and the fee paid to county authorities. The matter of fixing the charge on loans is complicated by the fact that in some states chattel mortgages must be recorded at a cost of from 50 cents to \$1.50 each, and in other states mortgages are filed at a cost of only 10 or 20 cents. A uniform law fixing the rate of interest inclusive of charges of all kinds might be un-

fair to lenders in some states. The matter of interest rates alone is sufficient, I believe, to prevent the enactment of entirely uniform laws in any number of states. In Pennsylvania and Maryland, for example, there is a constitutional limitation of interest to 6 per cent. per annum. In such states the necessary charge must be provided for by fees in addition to the legal rate of interest. However, there are a number of essential provisions which should be included in every state law, and in this respect I think Mr. Rubin's suggestion is good.

MR. BURNHAM:—The Massachusetts situation is in a very satisfactory condition. The State Supervisor of Loan Agencies has made a careful study of the cost of doing business and in his last report to the legislature he has adopted as a standard the Worcester association's record of operating cost per dollar loaned.

MR. HAM:—The report of the Massachusetts Supervisor of Small Loans is an interesting document. After a careful analysis of the business of about eighty money-lending offices in Massachusetts the Supervisor reached the conclusion that a flat rate of 3 per cent. per month is not sufficient to pay operating expenses including cost of capital. He therefore drew upon the powers which he considered the law had conferred on him by implication and authorized a "paper charge" in addition to interest which would in his judgment enable lenders to obtain about 5 per cent. per month on all small loans. His action opens the way to abuses in connection with the making of short-time loans, which danger the Supervisor seems to appreciate for he recommends the passage of an amending bill which will enable him to fix a rate of interest inclusive of fees of every character sufficient to permit the business to be done at a profit.

I believe the Supervisor's conclusions were erroneously reached. In averaging the percentages of operating cost to outstanding loans he included a large number of offices which employed a very meager capital, not through necessity but through the custom long in vogue among loan sharks not "to put all their eggs in the same basket." That the disproportionate cost of operation among these offices greatly affected the result of his calculations is shown by the fact that the figures given for the per-

centage of operating cost, including cost of capital, to outstanding loans for the two remedial chattel loan societies in Massachusetts are  $1\frac{1}{3}$  per cent. and  $1\frac{3}{4}$  per cent. per month respectively. To argue that 3 per cent. per month is not a fair allowance because certain offices employing a small capital cannot make a satisfactory profit at that rate is not convincing. The argument might easily be carried to an absurdity and the legislature asked to allow a rate of charge under which offices employing a capital of \$1,000 or \$500 might pay expenses and a fair profit on the investment. The remedial loan societies have proved conclusively that with a fair amount of capital employed, 3 per cent. per month is a liberal allowance inclusive of all charges of whatever character; that at this rate honest capital can be attracted into the business and make a fair profit. It is not material that the limitation of charge to this amount would make it necessary for certain money-lenders to discontinue business who have long conducted an illegal business with capital distributed in small amounts throughout a number of offices operating in the same city under different names. In our desire to be fair to both borrower and lender, we should not overlook the fact that the people who are clamoring for fair treatment are in the majority of instances heartless shylocks who have in the past shown no regard for law and no appreciation of what fairness means when they gouged their borrowers to the extent of hundreds of per cent. interest annually.

During the last few months I have attended many legislative committee hearings in the interest of small loan legislation and in almost every case when the hearings were also attended by representatives of the loan shark interests they read freely from the Supervisor's report and held up as an example to be copied his action in allowing a 10 per cent. fee charge in addition to the liberal rate of interest allowed by law. This is one of the influences that it has been difficult to counteract. Another, and in the opposite direction, is the effect of the passage by Congress of the one per cent. law for the District of Columbia.

MR. RUBIN:—I think that we ought to come to an agreement as to what is a reasonable rate of interest.

MR. HAM:—Can we put ourselves on record as believing that a certain rate is reasonable in all cases when societies are forced

in some cities to record mortgages at a great expense and in other cities mortgages are merely filed at a small cost? A rate that would be fair in one state might be unnecessarily high in another. I move that a committee be appointed to prepare a statement expressing the opinion of this body as to the fundamentals of satisfactory small loans legislation. Every state law should include provisions for supervision, license, maximum charge, borrowers receiving receipts for all payments and memoranda regarding conditions of the loan, etc.

THE CHAIRMAN:—Should not the statement also contain recommendations for the substitution of the filing for the recording system?

MR. HAM:—I shall be glad to amend the motion to include that point and also that the committee be requested to submit its recommendations to the individual members of the Federation for ratification.

The motion as amended was seconded and carried. The Chairman appointed Messrs. Ham, Crane and Rutherford.\*

## SALARY LOANS BY REMEDIAL LOAN SOCIETIES.

CHAS. H. BROWN, JR.

In spite of four recent convictions there are now in Buffalo about fifteen salary loan offices, most of which appear to be doing a lucrative business. Fully one-half of the people who come to our society apply for loans on their salaries. There appears to be a large class of borrowers there who own no chattels or pledgeable property and yet seem to be deserving of assistance. Among them are women school teachers. Fully ten of these come to our office each week and ask for salary loans. The amount needed is usually \$25, though often as little as \$5 or \$10 is requested. As they have no chattels I cannot loan to them and they are forced to go to the loan sharks or go without, and this often means actual suffering. I would be glad if the law under which our society operates permitted us to make such loans.

MR. EXNICIOS:—Can you not loan on endorsed notes?

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\*The report of the Committee on Legislation will be found in Appendix III.

MR. BROWN:—Not unless we also take a chattel mortgage.

MR. KIRKPATRICK:—Our society has experimented for two years with salary loans and has lost 80 per cent. of its accounts. The success of a salary loan business depends upon the method used to enforce repayments.

MR. HAM:—Do you receive the co-operation of employers?

MR. KIRKPATRICK:—The majority of Cleveland employers refuse to recognize salary assignments under any conditions.

THE CHAIRMAN:—I have always considered the salary loan business to be unnecessary and have therefore never approved of it.

MR. STEVENS:—We have had a great many applications for salary loans. Many of these we have satisfied by taking their household furniture as security. I have known of only a few cases in which a loan on salary appeared to be justified.

MR. BIGELOW:—I do not approve of the salary loan. I believe the public would be better off if such loans were never made.

MR. HAM:—I have examined a large number of cases involving loans on salaries and I believe that fully 75 per cent. have shown borrowing that was not necessary. Yet the remaining 25 per cent. appeared deserving and many of these borrowers possessed no security other than their earning capacity. I believe that some day the co-operative saving and loan association will take care of the bulk of such cases but meanwhile the public feels that the remedial loan societies are not fully solving the problem because they loan only to people who have personal property to pledge or mortgage.

MR. CAVANAUGH:—Last spring our society, in co-operation with the city government, settled a large number of salary loans. This experience gave me a good opportunity to study salary loans at close range and I became convinced that no hardship would be worked if salary loans were never made. In the majority of cases the borrower's family receives no benefit from the loan.

MR. HAM:—In New York the chattel mortgage law limits loans to the county in which the security is located. Many people employed in the city live outside the county and even out-

side the state. A remedial loan society cannot loan to them unless it can take an assignment of wages.

THE CHAIRMAN:—It appears to be the opinion of those present that the salary loan should not be made.

MR. HAM:—I suggest that no such statement be included in the record at this time in view of the experiments about to be conducted by the Remedial Loan Association of San Francisco and the Industrial Wage Loan Society of Chicago. The latter society has recently been organized with a capital of \$50,000, and it seems only fair for us to postpone decision until it has had an opportunity to give the matter a thorough test.

It was voted to postpone further consideration of this subject until the next annual meeting.

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#### ACCEPTANCE OF LOAN SHARK ADVERTISEMENTS BY NEWSPAPERS.

HUGH CAVANAUGH.

“It pays to advertise.” This declaration is a truism that the shrewd business man keeps ever in mind and judging from the liberal contributions to the loan columns of the press in nearly every city, the loan shark is equally alive to the importance and benefits of advertising. The privilege of the advertising column in a live newspaper is a great boon to the loan shark and essential to his interests and success.

Much of this kind of advertising comes to the papers unsolicited, hence at little expense. It pays the advertiser, it pays the newspaper, but the unfortunate dupes that are lured to the office of the shark have an entirely different story to tell. They saw it in the newspaper, their paper, the paper that comes to their door every morning or evening, the paper in which they believe. Somehow they do not distinguish between the advertising and the news columns. To the average reader it is all “the paper” and “surely it would not permit the use of its columns for deceptive advertising.”

Of this class of advertising, many of the daily papers carry two or three columns containing vague and misleading statements

concerning rates and terms. For instance, here is one advertisement in which nearly every word is a misstatement. "Organized to help poor, honest, working people who cannot pay the exorbitant rates charged by the so-called loan companies. Will loan you all the money you want at five per cent. per year." I know that the cost of a loan in this particular office was never less than one hundred and twenty per cent. a year. The difference between the advertisement and the facts was explained in three words, "Reasonable Appraiser's Charges." As a special inducement to applicants this advertiser assures the public that there will be no charge unless the loan is made.

In the same column a competitor presents this very indefinite statement, "Borrow \$50, pay back \$55." This under the headline, "Lowest Rates." It is a safe prediction that if he were definitely truthful and said that the \$55 must be paid back in thirty days, his patrons would be fewer than the limited number he now has.

Still another "one hundred and twenty per center" proclaims: "You Can't Beat The Rates We Are Offering. They Are Positively the Lowest in the City."

During the holiday season a representative of Santa Claus paid the newspaper its price for publishing this solicitous statement: "Don't spoil Xmas by being short of a little cash." After reading this holiday greeting I decided that it was my inning and I bought the space immediately over his and presented him my compliments something after this fashion: "It is like burning your money and spoiling your holidays to pay the rates charged by the other loan companies. Their rates are illegal, extortionate and several times more than we charge." Then to emphasize my point I published our rates in parallel columns with his, showing that he charged from three to ten times as much as we. As might be expected, he did not relish this and hastened to the newspaper office and expressed himself thus: "What is the use of my paying good money for space in your paper if you are going to permit the Citizens' Company to call me a liar?" The advertising manager, wise man though he was, was obliged to confess that the question was too much for him.

The remedial loan movement is under many obligations to the press. Wherever war has been proclaimed against the loan

shark the press has been exceedingly generous in the space devoted to exposing the iniquity of the loan business. The organization of many of the remedial loan societies and their initial success is due largely to the valuable assistance thus given. I venture to say that no paid advertisement has been quite so beneficial as the front page matter given gratuitously by many of the papers in the campaign against the shark companies, resulting in the organization of a remedial society.

Appreciating as we do the splendid and effective service rendered by the press, we believe that its influence could be exerted to a greater extent by denying the use of its columns to such advertising as we have mentioned or to any form of advertising from a company that is doing business without the sanction of the law, or that is charging a rate that is oppressive to the borrower.

We realize that this advertising is an important asset to the newspaper but we believe that more important still are the readers of the paper, who will endorse the exclusion of loan shark advertising quite as heartily as they do the campaign against the illegal money lender. This suggestion has been demonstrated with practical effect by several Cincinnati newspapers, one of which excludes all small loan advertising except that of my own society. Another accepts only the advertisements of licensed companies. What this means may be best understood by comparing the advertising of to-day with that of a year or two ago. Within that time we have seen upwards of eight hundred lines of classified loan advertising in a single issue, while for many months past it has been a rare thing to see more than one hundred lines in any issue and all of this is confined to licensed companies.

This may have meant a temporary sacrifice for the newspapers but the recompense has come in the form of a realization of the important part they have played in freeing Cincinnati from this evil. I quote from a letter from the Cincinnati Post: "The betterment of conditions in the chattel loan business in Cincinnati has resulted in some decrease in advertising earnings, but has been of considerable value in other ways to those newspapers which have taken full advantage of the changes. The Post has refused to publish the advertising of loan companies that do not have a state license and operate under it. Some publications

retain a larger income from loan advertising by continuing to publish all loan copy offered, but we feel that through protecting our readers and thus gaining a greater confidence among them, we are more than repaid for the loss of any such business as still operates under the customs of former years, by the increased business in other classifications."

What has been accomplished in this respect in Cincinnati is possible in every other city where the evil exists. Wherever there is a remedial society it can render very material assistance in advertising by exposing the rates and misstatements of the loan sharks, also by personal appeal to the editors of the city papers, who, as we are well aware, are in sympathy with the remedial loan movement.

MR. KIRKPATRICK:—Do all the licensed loan companies in Cincinnati charge legal rates?

MR. CAVANAUGH:—There are only two chattel mortgage companies and two salary loan companies that are licensed. One was fined \$50 for violation of the law and is not now allowed to advertise in the Post.

MR. KIRKPATRICK:—Many companies holding licenses in Cleveland do not operate within the law.

MR. HAM:—Was there not a recent decision by a court in Cleveland to the effect that a charge of 8% interest for a full year in the case of loans repaid in installments is illegal?

MR. KIRKPATRICK:—Yes. The case has been appealed and the authorities are awaiting the decision of the supreme court.

MR. POND:—The Cleveland newspapers are very glad to receive reports of violation of law by companies advertising in their columns. The high rate companies are still advertising, but we dominate the column by using a large advertisement.

MR. CAVANAUGH:—I do not think it is necessary to buy large space. We find that by publishing the names of our directors and telling the truth regarding our rates, we soon convince the public of the nature of our business.

THE CHAIRMAN:—The Baltimore News formerly published from one to two columns of loan advertising under a card which

practically guaranteed the truth of all statements made. An investigation of the actual rates charged and a call upon Mr. Frank A. Munsey, the owner of the paper, resulted in the elimination of many of these advertisements. At present only such companies are allowed to advertise as we believe to be telling the truth and operating within the law.

MR. DAVIS:—Our society in Newark publishes the names of its officers and directors and we find it effective. Three of the five newspapers in Newark do not accept loan shark ads.

MR. STEVENS:—I would like to ask Col. Pond to explain in detail his advertising methods.

MR. POND:—We have employed many methods. I think that the first advertising that a society does should be newspaper advertising supplemented by circular work. The newspaper advertisements should be educational in order that the public may understand the character of the society and what it is trying to accomplish. My society never began to be understood and appreciated by employers until it advertised itself. Our advertisements not only state our purpose and what we have accomplished but also our exact charges on loans. While the loan sharks claim to charge lower rates it is becoming well known that their actual charges are much higher than those advertised. The result is that Cleveland people now know that the Economy's statements can be believed.

As to circular advertising, we have found that the high rate companies flood the city with circulars distributed by hand and that while it brings them many applicants a large percentage leave their offices immediately on learning the actual rates charged. After consulting an experienced advertising man we printed a neat circular containing a cut of the office, and as much information as possible to show the comparison between our company and the loan sharks. These we distributed eventually over the entire city and they brought us in a large number of good loans. Many loan shark victims came to us on learning how much lower our rates were. Since then we have used no circulars with the exception of the moving picture leaflet sent out by Mr. Ham. This we distributed in the districts where the film was shown and we are still getting good results from it. It is not wise to distribute cheap circulars. Good circulars give you better results.

Another class of advertising is for the purpose of acquainting the business man or the man who is often approached for personal loans with the character of our business. Justices of the peace and the judges of nearly all the courts have sent applicants to us as a result of this form of advertising. This is also true of attorneys and employers of labor who have learned that our institution is dependable. We keep track of results from all forms of advertising and we find that circulars are not expensive as compared with newspaper advertising.

MR. STEVENS:—How much space do you take in the newspapers?

MR. POND:—About four inches square. We have one-eighth of an inch margin and use 8-point type so that the advertisement stands out prominently on the page and is seen by all readers. Agate type advertisements are not read by the majority of people.

MR. McCONVILLE:—Do you use a framed card in industrial establishments?

MR. POND:—No. We depend on our borrowers to advertise us in such places. Superintendents of factories refer many men to us who have asked for an advance of wages.

MR. McCONVILLE:—How do the superintendents know of your business?

MR. POND:—Through general publicity and advertising.

MR. HAM:—Do you use a special form of advertising directed to factory superintendents?

MR. POND:—We use only a personal letter. If a borrower tells me that he was sent to us by his superintendent I immediately write a personal letter to that superintendent thanking him for sending the man in and expressing appreciation of his interest in the work we are trying to accomplish in Cleveland. I write a similar letter to every man who sends a deserving borrower to us. Every morning a report is made to me of the sources of all recommended loans and it is part of my day's work to write such letters of thanks.

MR. STEVENS:—Have you tried street car advertising?

MR. POND:—No. It is too expensive.

MR. STEVENS:—Have you tried sign boards?

MR. POND:—The few posters that we have used brought good results. I have never thought it wise to use the regular bill boards.

THE CHAIRMAN:—We experimented with sign boards placed at transfer points in Baltimore, but no good results came from them. I do not believe it is a proper method to be used by remedial loan societies.

MR. RUBIN:—Is it necessary to advertise at all? Newspaper editorials and the support of the Federation of Labor have brought us more business than we can take care of. Every time a loan shark has been arrested in Milwaukee the newspapers have given the credit to our society and this has given us all the advertising we have needed.

MR. BROWN:—What should be the advertising policy of a remedial loan society operating in a city in which there are also eight companies doing a supposedly legal business?

MR. POND:—My policy would be to dominate the situation by extensive advertising in 8-point type.

MR. BROWN:—Suppose you were restricted to agate type and to the classified column?

THE CHAIRMAN:—The loan business is largely an emergency business and people do not pay attention to loan advertisements unless stress comes, then they seek the classified medium.

MR. POND:—The best returns I have ever received were from a small neighborhood paper that was distributed free, the advertisements paying its cost. Our policy is to vary our form of advertising frequently. We use a great deal of space in telling of the general character of our institution and how we benefit the public. If I were in Mr. Brown's place and the newspapers would not give latitude in the form of advertising, I would use only the space necessary to acquaint the man who turns to the newspaper for a loan advertisement, with the fact that my society was in operation. I would then distribute good circulars explaining fully the character of my institution.

MR. STROUP:—Has any society made a comparison of the cost of house-to-house and through-the-mail distribution of circulars?

MR. POND:—The best way is to employ your own men for distributing circulars. We employ two men and a foreman to cover a certain territory and after the delivery has been made an inspector goes over the territory to see what has become of the circulars. This method increases the cost of delivery, but insures the receipt of a large proportion of the circulars by the people whom they are intended to reach.

MR. DAVIS:—Do you not think that this form of advertising encourages borrowing?

MR. POND:—I do not consider that it encourages borrowing unnecessarily. Its main object is to counteract the effect of the loan shark advertising.

MR. CRANE:—Since the recent passage of the loan law in Missouri three of the leading newspapers in St. Louis have stopped printing loan shark advertisements, and all of the others have reduced it very largely.

MR. UPSON:—What is the new Missouri law?

MR. CRANE:—It allows an interest charge of 2 per cent. per month. It is very explicit with respect to penalties for overcharge and many of the money-lenders are already going out of business. Only six are now advertising.

Mr. Ham then spoke of a section in a proposed law for N. Y. making it a misdemeanor to print a false or misleading advertisement with respect to loans of money.\*

MR. BURNHAM:—I think this matter of advertising is one of the most important that has come up, and I move that once in three months each society send to the executive committee a sufficient number of clippings showing the newspaper advertisement running at that time and copies of all circulars used so that each member may receive a copy.

This motion was seconded and carried unanimously.

MR. McCONVILLE:—I suggest that where exceptional results have followed the use of a particular circular that a note of explanation accompany it.

Meeting adjourned.

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\*Appendix II.

Afternoon Session, June 20, 1913.

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### CHRONIC DELINQUENTS; COLLECTIONS, FORE-CLOSURES, ETC.

D. H. POND, (Cleveland, O.)—The protection of a remedial loan society against those who attempt to defraud it depends to a great extent on local laws and local courts. In Cleveland until recently foreclosures had to be made through the court of common pleas. If an answer were filed to the petition it would require one or two years before the case could be heard. This made it practically impossible to get any relief through legal process. Three years ago our municipal court was organized as a court between the justice's court and the court of common pleas.

MR. CAVANAUGH:—Is it a court of record?

MR. POND:—Yes. There has recently been established in this municipal court, a court of conciliation. This is the court which we now use to the greatest extent in the collection of claims against chronic delinquents. It is intended to take care of all cases where the amount involved is not over \$35. The procedure is as follows: The complaint is entered by signing the docket. The borrower is notified by mail. He comes into court without an attorney and is notified by the judge that he must adjust the claim at once or the court will adjust it. This is sufficient to bring the borrower to his senses and an arrangement is readily made by which the borrower agrees to repay his loan in convenient installments. The admonition of the court is sufficient as a rule to keep him regular in his payments from then on. The cost is 25 cents, which is less than the expense of sending an inspector to the borrower's home to effect a settlement.

In our office we have two receiving tellers, a cashier and two bookkeepers. If a borrower who is two days delinquent comes to the window the receiving teller inquires into the facts of the case. If it is simply a matter of negligence the teller's warning usually corrects the trouble. In case of second offense the teller says: "I explained this to you before. I will refer you

to the cashier." The cashier then goes into the matter and corrects the trouble in a certain percentage of cases. Those he does not correct are sent to the secretary who goes over each case with some care. If the borrower again fails a special report which contains all the information about the delinquent is made out and handed to me. I have two stenographers and two inspectors to look out for these delinquents. When the case has reached this stage there is something radically wrong with it. I send an inspector to investigate the stories told and if possible to find out the source of the trouble. Among the accounts that I look over are all the cases of fraud, all the cases of removal without notice, and all cases where there are family disturbances.

When a borrower moves his goods without notice, our inspectors are required to report on that case daily until we have found the man or are satisfied that nothing more can be done. Very recently the San Francisco Remedial Loan Society located a man for me in that city. In all cases where a man moves to a city where there is no remedial loan society we have either to carry on our collections by means of correspondence or to send our mortgages to that city for foreclosure. We have prosecuted a number of people who tried to defraud us, but we do not adopt such measures in cases where the family would suffer through the imprisonment of the provider. Our methods are business-like and we do not allow ourselves to be defrauded, but in twenty years we have not had a single forcible sale of chattels.

MR. HAM:—Will you explain to the members a very interesting map in your office by means of which you keep track of delinquents in connection with the districts in which they live?

MR. POND:—We have a map in our office showing the city of Cleveland by districts. In this map we stick a pin for each loan. The pins are of three colors, one color for loans which are paid promptly, one for loans requiring some personal attention and a third for loans chronically delinquent. The map is revised once in each six months. It is not conclusive as districts are constantly changing in character, but it acts as a source of information and a guide to the sections of the city that must be most closely watched in taking applications.

## THE RECORDING OF CHATTEL MORTGAGES.

CHARLES E. BURNHAM, (Worcester, Mass.):—My experience leads me to believe that remedial loan societies should record chattel mortgages except in the case of loans of less than \$15 in amount. Household furniture to the value of \$300 is exempt from attachment in the state of Massachusetts and the losses are therefore much larger on loans made upon security of attachable property. It is therefore especially important that loans made upon the latter class of security should be a matter of public record. I believe that the recording of mortgages tends to increase the moral and financial standards of small borrowers. It is too often true that the community in general is inclined to censure the honest borrower of \$25 while it honors the financial standing of the man who is able to borrow \$25,000. It seems to me there should be no difference and it is a part of our work to correct this false standard so far as it is possible to do so, thereby eliminating one of the greatest evils of the small loan business, the false delicacy or the fear of publicity on the part of the borrower.

Some of the loan companies in Worcester advertise to make loans without recording mortgages, but as their rates are much higher than ours their competition does not trouble us. It is very seldom that an applicant refuses to accept a loan from us through fear of the facts being made a matter of public record.

No daily reports of chattel mortgages are published in Worcester. The only publicity is through the "Banker and Tradesman" which is issued weekly and is read only by banks and large business houses. The mortgage records published in this paper are in connection with a mass of court business and are not read by the general public. Some years ago a Worcester daily paper began publishing records of chattel mortgages but it has since discontinued the practice.

I believe it is the duty of all remedial loan societies to insist upon a public record of all mortgages above small amounts in order to create in the mind of the borrower a pride in being able to secure a loan for a legitimate need. In some few cases I have omitted the recording of large mortgages and have been given power by my directors to do so whenever I think best.

Such omissions occur only in special cases and when the integrity of the borrower is beyond question.

MR. PHILLIPS:—This topic is of great interest to me and of much importance to the Rochester society. Two papers in that city, the Daily Record and the Commercial Record contain reports of all chattel mortgages filed. The Commercial Record is sent to a large list of subscribers and the Daily Record is distributed widely through the city. Thus credit men of business houses and banks and all attorneys are fully informed as to every chattel mortgage that is filed. A man who needs \$100 objects to having it announced publicly that he has mortgaged his household furniture for a loan. The loan shark uses this as a powerful weapon against us. I would like to learn the practice of the other societies in this regard. If I do not record my mortgages am I sufficiently protected?

THE CHAIRMAN:—It is not customary to record in Baltimore except as a first step toward foreclosure.

MR. PELLENZ:—We have the same conditions in Syracuse as in Rochester, except that the papers publish not only the name but also the address of each mortgagor.

MR. BROWN:—Two of our Buffalo daily papers publish the chattel mortgage records. One of the loan companies there does not file its mortgages unless borrowers become delinquent in payments. I file all of my mortgages, but am sometimes able to keep the names from being published.

MR. STROUP:—We are gradually growing out of the idea of recording mortgages. Whenever a borrower asks us if we record, we answer: "Not if you make your payments promptly." We have lost about \$25 through not recording mortgages, the recording fees upon which would have amounted to \$1,200.

MR. DAVIS:—In Newark, a paper that is published weekly contains the list of chattel mortgages recorded. The loan sharks used this fact with telling effect upon our borrowers and our directors decided not to file mortgage on loans up to \$50 which is the maximum amount loaned by the loan sharks in Newark. We have had no greater losses since, than when we filed all of our mortgages.

MR. MEEGAN:—We found that records of chattel mortgages were being similarly used against us by the loan sharks in Paterson. We have now discontinued recording.

THE CHAIRMAN:—It is our practice in Baltimore to tell all borrowers that only when they are delinquent will the mortgage be recorded.

MR. RUBIN:—I feel that if a borrower is of good character I can safely loan to him without recording the mortgage. If he is not of good character, I would not loan to him under any conditions.

MR. CAVANAUGH:—In Cincinnati we file only two per cent. of our mortgages. We have found that the moral security of a chattel mortgage is so great that it is not material whether it is recorded or not. Our losses are practically nothing.

THE CHAIRMAN:—I think every manager should have the power to record or not as he sees fit.

MR. WHITMER:—In Sioux City we do not record mortgages under \$50 unless the loan seems unsafe.

MR. EXNICIOS:—Our policy is to record a mortgage to prevent a man from securing a loan elsewhere. My experience is that many times a man borrowing on a chattel mortgage will attempt to make a second and third loan.

MR. POND:—In Cleveland the mortgage is made in the wife's name, using her initials only. The husband consents to the mortgage. The address is omitted and it is filed under those conditions.

MR. DAVIS:—It has been my experience that mortgages of less than \$50 need not be filed. It is the larger loans that give the most trouble and in these cases it is safer to have your mortgage on record. In many such cases we would have lost money if our mortgage had not been on record.

## THE USE OF NOTES IN CHATTEL MORTGAGE LOANS; FIRE INSURANCE.

GEO. E. UPSON, (Utica, N. Y.) :—Our association has always taken a note together with the mortgage. Though we have had no demonstration of its value we believe that the note would be valuable in case the legality of the mortgage were ever questioned. The majority of those who seek loans on their furniture have very little property and the value of the mortgage is often questionable. I would like to know how many societies take notes in addition to mortgages.

MR. STEVENS :—I think that question depends largely upon the law of the state in which you operate. My attorneys say that our society is better off without a separate note than with it. The law under which we operate allows 2% per month interest on loans secured by chattel mortgages. If we were to attempt to collect on a separate note there might be danger of having the defense of usury raised against us. In addition, by incorporating the note in the mortgage we save a step in the transaction. This is an important gain.

Messrs. Ferguson, Brown, Phillips and Pellenz reported that their societies also incorporate the note within the mortgage as a single instrument.

MR. RUBIN :—Our society uses a separate note and mortgage. The note is the promise to carry out an agreement and the mortgage is the security for that promise. In case of failure to pay and the removal or destruction of the security, you have in the note a claim against the borrower.

MR. STEVENS :—The condition is the same when the promise to pay and the security therefor are incorporated in a single instrument, and in addition there is one less document to be signed and preserved.

MR. PHILLIPS :—What has been the experience of the societies with regard to fire insurance upon mortgaged goods?

THE CHAIRMAN :—Clause 18 of the standard policy forbids the mortgaging of insured goods. But in Baltimore many insurance companies permit us to have policies assigned to us as

our interest may appear. In the case of applicants holding policies issued by companies that do not permit assignments, we notify them that by borrowing from us they will invalidate their policies. We then procure new insurance on their goods if it seems necessary.

MR. POND:—The insurance companies in Cleveland formerly refused to permit assignments, but now they all permit them.

MR. DAVIS:—Some of the insurance companies in Newark have a printed form to be attached to policies covering goods mortgaged or purchased on the installment plan.

MR. CRANE:—Whether or not the insurance company permits assignments depends largely on the attitude of the local agent. In St. Louis very few companies permit it. Clause 18 gives the company the right to cancel a policy if the goods insured are mortgaged. The best way for each society to protect itself is to require the assignment of the policy to the society as its interest may appear provided the insurance company does not object. As some companies permit assignments, competition ought soon to relieve the situation.

MR. PHILLIPS:—Is it necessary to keep assigned policies in our office? May they not as well be returned to the borrowers?

MR. STEVENS:—I hold all policies in my office. Borrowers feel that in giving up their policies they are giving additional security and the effect is beneficial. We do not have policies assigned to us. We do our own insuring by setting apart 25 cents for each \$100 loaned as a risk fund. This is not paid by the borrower, but taken out of our gross income.

MR. FERGUSON:—Our society used to keep all policies, but we now return them.

MR. BIGELOW:—We leave the matter to the borrower. The majority consider their policies safer with us. We find it helpful to keep them in our office, for many borrowers who move without permission notify us in order that their policy may be changed.

## THE MORRIS PLAN OF BANKING.

THE CHAIRMAN:—In a circular letter recently sent to all the members I stated that an early number of the Bulletin would contain a full report upon the so-called Morris Plan of Banking. It has not been possible to keep that promise because Mr. Ham has not had the time to prepare the report. He has, however, prepared a short paper on the subject which I will now ask him to read.

MR. HAM:—This is only a brief memorandum prepared for a correspondent who was asked to endorse the plan and wrote to us for information. It does not attempt to cover the subject fully.

The promoters of the Morris Plan of Banking have made so many claims for it that are unjustified, in my judgment, that it is difficult to pick out those most deserving of refutation. In the prospectus of the Fidelity Corporation of America, and in various other pamphlets and newspaper articles, the plan has been advocated as a type of co-operative bank similar to the Raiffeisen and other co-operative banks abroad. It has been termed a philanthropic scheme designed to eliminate the abuses of the loan shark system, and has been held up as a lucrative investment with probable returns amounting to thirty per cent. per annum. The promoters seem to vary their appeal to suit the particular class or individual whom they are attempting to interest at the moment. The statement is also made in the prospectus that none of the "Morris" banks has earned less than twelve per cent. net during its first year, fifteen per cent. the second year and twenty per cent. the third year.

The company in Norfolk, Va., showed a net profit of approximately eleven per cent. at the end of its first year, but its operating expenses aggregated only \$1,159. This was accomplished by obtaining the services of a manager and assistants practically without pay, on the promise that eventually adequate remuneration would be made.

The "Morris" bank operating in Atlanta apparently made a substantial profit during its first year, but it accomplished this by securing the services of a board of directors free of charge

who met nearly one hundred times to perform the work which a paid manager would naturally do, and by charging 8% interest, the legal rate in Georgia; also, by carrying as an asset an organization expense paid to the promoters, which if properly charged off would have wiped out the surplus and greatly reduced the first year's profits.

The "Morris" bank operating in Baltimore issued a financial statement at the end of its first year, showing a profit of \$7,899 on a capital stock of \$101,000. But this company had organization expenses of ten thousand dollars, only one thousand of which was charged off, the remainder (\$9,000) being carried as an asset. This offset against the paper profit for the first year, shows a natural deficit of about \$1,100.

The promoters claim that the enormous profits are made possible through the sale of classes "B" and "C" stock to people who do not intend to borrow. The report of the Baltimore company for the first year shows total sales of these shares of stock amounting to only \$1,171. There is the very best of reasons why this stock should not prove attractive. Only four per cent. interest is paid on class "C" stock, and this only after twenty-five weekly payments have been made. A total return of two per cent. per annum would not seem to make the stock attractive to the ordinary investor.

The promoters have claimed that the "Morris" plan offers the only adequate substitute for the loan shark, but in the city of Norfolk where there are three companies operating under practically the same plan, the loan sharks are so active that a committee of the Norfolk Ad Club has recently been appointed to undertake an investigation of their operations, and to organize some sort of competitive agency. In those cities where the "Morris" companies are in operation their effect upon the loan shark business is not appreciable. No agency which makes no loans of less than fifty dollars in amount can be said to be competing effectively with the loan sharks.

The interest of Mr. Morris and his associates seems to be limited to the promotion fee of ten per cent. which they exact from each company which they organize. This fee is supposed to be paid for the right to use the copyright plan which it is claimed insures a monopoly in that particular city, and for the

advice and assistance of Mr. Morris and his associates during the inceptive stage. That no such benefit accrues is shown by the fact that in Norfolk, Va., when the first "Morris" company was organized, three other organizations, which paid no promotion fee and in which the "Morris" promoters have no interest are now operating under a practically identical plan. No suit for infringement has been brought, although it is said to have been invited.

The plan is an adaptation of the building and loan plan, but it is not co-operative; it is not philanthropic, and, in my judgment, it is not a good business investment. As the business of the companies is confined to the loaning of money, the gross return cannot exceed the charge made upon loans. By the device of discounting six per cent. interest for a full year on one hundred dollars and getting back weekly payments in the form of payments on stock, the gross return is made to amount to about fourteen per cent.

In the case of the Baltimore company, \$250,000 is supposed to have been loaned the first year. The gross return could not have exceeded \$15,000. Of this amount approximately \$8,000 has been set aside as surplus and reserve funds, \$1,000 charged off to organization expenses, leaving a balance of \$6,000 for operating expenses. I understand that the president alone receives a salary of \$4,000. In any event, \$6,000 is a ridiculous allowance for the expense account of a company loaning \$250,000 in average loans of \$150. One of two things must be true—either the company is getting a greater return than the laws of Maryland allow, or it is not investigating its risks, and is, therefore, flooding its books with loans which will soon prove to have been carelessly made and to be uncollectible.

In a large number of cities in which the promoters have sought to get a foot-hold, the plan has been turned down by prominent individuals, and civic and social institutions. Recently, the Cleveland Chamber of Commerce, after going over the plan with care, decided that it would not hold water, and should not be encouraged.

THE CHAIRMAN:—The "Morris" companies advertise to loan on character or security, but they actually demand two endorsers, one owning real estate of a certain value. One of the objections

of the executive committee to the plan is that the note contains a clause permitting the charge of an attorney's fee of 10% in case of default in payment. The "Morris" company in Baltimore recently had some new notes printed. They bore interest at 10% per annum though the legal rate is 6%. When inquiry was made the explanation vouchsafed was that it was a printer's error. Ten days later, however, the same note form was being used.

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### HOURS OF BUSINESS.

ERASMUS PELLENZ, (Syracuse, N. Y.) :—As I have been engaged in this work for only three months I am unable to bring much experience to the discussion of this topic. The question of office hours seems to me to be important in view of the fact that remedial loan associations are characterised as poor men's banks and should do everything possible to suit the convenience of their borrowers in the matter of repaying loans. Many working men receive their pay on Saturday, and it is inconvenient for them to come to the office except in the evening. The wife may be sick or other circumstances may make it necessary for a borrower to lose time if he is compelled to make his payments during the working day. The savings banks often keep open one or two nights a week. I think it is a practical idea and for some time I have been keeping my office open one evening each week. It is clear, however, that what may be good practice in one city may not be good in another and I would like to know how many societies maintain evening office hours.

It was found that seven of the societies represented maintain evening office hours.

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### THE APPLICATION BLANK.

F. A. PHILLIPS, (Rochester, N. Y.) :—In Rochester we have been using the application blank suggested by Mr. Ham and also used by the Chattel Loan Society of New York. I am inclined to think that the blank contains many questions which are not important. I think it would be well to prepare a model blank for the use of new societies.

MR. FERGUSON: That would be difficult to do. A manager must be governed by circumstances. Of some applicants I ask fifty questions, of others, only a few.

As a result of questions asked by the chairman it was learned that eight societies use an application blank containing an affidavit which may be used as a basis for perjury charges; that none considers it necessary and only one has used such an affidavit as a basis of prosecution.

MR. POND: Our application blank contains questions regarding the applicant's age, the place and duration of his present and past employment, the place and length of his present and former residence, the amount of rent paid, his wife's name, the names and ages of his children and of other people living with him. The information sought is to establish the location and ownership of the security and to identify the applicant in such a way as to aid in tracing him in the event of his moving without notice.

MR. McCONVILLE:—Do you inquire as to the amount of his wages?

MR. POND:—No.

MR. McCONVILLE:—How, then, can you determine his ability to repay?

MR. POND:—We determine his ability to repay by the condition of his home. This is one of the best indications of his financial habits and shows clearly whether he is living beyond the standard which the nature of his employment warrants.

It was the opinion of the majority present that the application blank should contain a question regarding the applicant's income from all sources. As the result of a question asked by the Chairman, it was found that fifteen of the societies loan to deserving people who are out of employment.

MR. FERGUSON:—I suggest that a certificate of membership in the Federation be issued to each society to be framed and hung in each office.

It was voted to leave this matter in the hands of the Executive Committee.

Messrs. Finley and Exnicios were re-elected chairman and secretary respectively, and Mr. Ham was reappointed the third member of the Executive Committee. Messrs. Tucker and Bigelow were reappointed as members of the Membership Committee. It was voted to increase the annual membership fee to \$25.00, the increase for the current year not applying to societies admitted since June, 1912.

In connection with a discussion of the meeting place of the next convention several members spoke of the desirability of meeting, if possible, in the same city and at the same time as the National Conference of Charities and Correction.

Mr. McConville extended an invitation to meet in St. Paul and Minneapolis.

Mr. Brown extended the invitation of the Buffalo Chamber of Commerce to meet in that city. It was voted to leave the matter in the hands of the Executive Committee.

MR. HAM:—I suggest that the members of the Federation watch legislation in their states a little more closely next year. This year we did not learn of the introduction of a certain objectionable bill in Wisconsin until it was actually a law. We cannot assist the societies in the matter of legislation unless we are kept informed of developments. I would like to ask Mr. Davis to say a word regarding legislation this year in New Jersey.

MR. DAVIS:—Early in the session of the New Jersey legislature a bill was introduced by Assemblyman Martin which was heralded as a measure to curb the exactions of the loan sharks. On examination it proved to be a bill which if enacted would have been of great benefit to the loan sharks. With the assistance of Mr. Ham, the Newark Legal Aid Society, the Federated Church Club of Jersey City and the Newark Sunday Call we succeeded in defeating this bill and bills of a similar nature subsequently introduced. As an illustration of the method used to pass a bad bill, its proponent announced on the floor of the Assembly that it had the approval of the Russell Sage Foundation, the New Jersey Banking Department and the Newark Provident Loan Association. It was only by being closely in touch with the legislature and being able to deny these statements at once that we defeated the passage of the bill.

THE CHAIRMAN:—I believe that every member of this National Federation should be recognized in the community in which his association operates as the source of information concerning the remedial loan movement and that there should be full co-operation between each remedial loan society and the charity organization societies and social service organizations of every kind. I do not mean to say that because an applicant is sent to you by the charity organization society that you ought necessarily to make a loan to that applicant. I do not hesitate to say that in my office applicants coming from the charity organization society are put through a rigid examination. But we ought to be so recognized as the head of our department of social work that no attempt could be made to pass loan legislation without our being consulted.

We ought to get outside of ourselves to a greater extent; all of our advertising should contain some specific allusion to the National Federation. A person cannot get into our offices without being made aware of the fact that our association is a member of the Federation. By keeping the name of the Federation before the public we increase its importance nationally and get full benefit individually from our affiliation.

MR. THOMPSON:—As you all know, the small loans act recently passed by Congress for the District of Columbia has turned out unsatisfactorily. The residents of the District of Columbia are peculiarly situated in that they have no vote. Congress is the common council for the District. It is not answerable to the residents of the District for what it does, and sometimes the things it does for the District are very different from what it would do if it were answerable. In this field of remedial loan legislation it is possible for the gentlemen here to be of no little service in influencing congressmen from their own communities. They will listen to you because you vote. I do not mean to say that the men who are charged with the duty of legislating for the District of Columbia are venal or that they have to be driven to do what is right. But District matters are a sort of outside duty with them.

The fact that the present law is unsatisfactory and must be changed, can be brought to the attention of congressmen most forcibly by the individual members of the Federation and I

hope that when the opportunity occurs you will each make an effort to help us in that direction.

MR. PHILLIPS:—I move that each society send a copy of its annual report to the other members of the Federation.

Motion seconded and carried.

THE CHAIRMAN:—I congratulate you upon the best convention that we have ever had. The discussion has covered a wide range of topics, has been largely to the point and has indicated a desire on the part of each member to profit by the experience of others and thereby benefit his own society and improve conditions in his own community.

Meeting adjourned.

## APPENDIX I

### CONSTITUTION OF THE NATIONAL FEDERATION OF REMEDIAL LOAN ASSOCIATIONS.

**NAME.** This organization shall be known as *The National Federation of Remedial Loan Associations.*

**OBJECT.** The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

**MEMBERSHIP.** The organization shall be composed of representatives of the remedial loan societies and such others as are known to be in complete sympathy with the movement to compel recognition of the laws regulating chattel, salary and pawning loans and protecting borrowers from extortion.

**OFFICERS.** The officers of the organization shall be a chairman and a secretary. These, with one other appointed annually by the chairman, shall constitute the Executive Committee.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.

## APPENDIX II

A bill drafted for future introduction in New York state and published for its suggestive value to other states in which the enactment of small loans legislation is contemplated.

### AN ACT TO AMEND THE BANKING LAW, IN RELATION TO LICENSING SMALL LOAN BROKERS.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:—*

Section 1. Chapter ten of the laws of nineteen hundred and nine, entitled "An act in relation to banks, individual bankers and corporations under the supervision of the banking department, constituting chapter two of the consolidated laws," is hereby amended by inserting therein a new article to be article 10-a to read as follows:—

#### ARTICLE 10-a.

#### SUPERVISOR OF SMALL LOANS; BUSINESS OF SMALL LOAN BROKERS REGULATED.

Section

- 315. Supervisor of small loans.
- 316. Expenses and assistance.
- 317. Nature of business; application for license.
- 318. Bonds.
- 319. Issue of license.
- 320. Manner and place of transacting business.
- 321. Reports by licensees.
- 322. General powers and duties of supervisor respecting licensees.
- 323. Loans.
- 324. Interest on loans.
- 325. Actions where brought.
- 326. Regulations respecting collection of loans.
- 327. Penalties.
- 328. False or misleading advertisements.
- 329. Application of article.
- 329a. Limitation of usury law.

Sec. 315. Supervisor of small loans. The office of supervisor of small loans is hereby established. He shall be appointed

by the superintendent of banks, and shall be a deputy of the superintendent, in addition to the three deputies authorized by section five of this chapter, and under his supervision.

Sec. 316. Expense and assistance. The business of supervising small loans shall be a part of the business of the Banking Department. The salary of the supervisor of small loans shall be fixed, and paid, as is that of the other deputies. The superintendent of banks is hereby authorized and directed to assign to the supervisor of small loans suitable rooms of the department at the state capital in Albany for conducting the business of supervising small loans; to obtain such additional rooms there as may be necessary for that purpose; to obtain such additional clerical and other assistance as the business requires; and, if the superintendent deems it necessary, to hire, equip and maintain offices for the business in the city of New York. The cost of the examination of any license, which, under Sec. three hundred and twenty-three, Subdivision one, of this article is to be paid by the licensee so examined, shall be collected by the supervisor, and the amount so collected, applied by him to the expenses of such examination; and the receipts and expenses in and about the business of supervising small loans, generally, treated as are other and analogous receipts and expenses of the department of banks, except that they shall be charged specially to licensees under this article, to be paid by them in such proportions as to the superintendent may seem just and reasonable; but the expenses of the investigation of applicants for license whose applications are refused, shall not, for the purpose of making collections from licensees as aforesaid, be reckoned as an expense of the business of supervising small loans, any failure to pay any amount due by any licensee shall be a cause for revoking his license. All claims arising under this article against any licensee, whether in favor of the state or otherwise, shall be preferred, on dissolution, receivership, or assignment for the benefit of creditors.

Sec. 317. Nature of business; application for license. Every person, association, partnership or corporation engaged or seeking to engage, in this state, in the business of loaning money in sums of two hundred dollars or less amounts shall procure a license to conduct such business from the supervisor of small

loans. When an application for a loan, or for an endorsement or guarantee, or for the purchase of a note, is made by any person, association, partnership or corporation within this state, and the money is advanced, or the endorsement or guarantee is made or furnished or the note purchased by any person, association, partnership or corporation situated without this state, the transaction shall be deemed a loan made within this state, and such loan, and the parties making it, shall be subject to the provisions of this article. The buying or endorsing of notes, or the furnishing of guarantee or security for compensation, shall be considered to be engaging in the business of making small loans, within the provisions of this article. Any person, association, partnership or corporation directly or indirectly engaged, or seeking to engage, in the business of negotiating, arranging, or aiding the borrower or lender in procuring or making loans of two hundred dollars or less, whether such loans are actually made by such person, association, partnership or corporation, or by other parties, or are not made, shall be deemed to be engaged in the business of making small loans, and shall be subject to the provisions of this article.

In prosecutions under this act the fact that the defendant has made or assisted in making two or more loans in sums of two hundred dollars or less amounts, shall be *prima facie* evidence of engaging in the business of loaning money in sums of two hundred dollars or less amounts.

Such license shall be issued only upon written application therefor, stating

1. The name and residence of the individual, or in case of a partnership, the name and residence of each of the partners, or in case of a corporation, the names and residences of each officer, trustee, manager and director of such corporation.

2. If the applicant be a corporation the state under the laws of which it is incorporated, the date and place of its incorporation, and the office or offices in which its certificate of incorporation is filed.

3. The city, town or village in which it is proposed to transact the business, and the location, by street and number if

any, of the office or place of business in which the business is to be conducted.

Sec. 318. Bonds. A license shall not be issued under this article, unless the applicant shall file with the supervisor of small loans in form approved by him a bond in the sum of three thousand dollars, if the applicant desires to engage in business in a city of the first or second class, and if elsewhere, in the sum of one thousand dollars, executed by the applicant and by a surety company approved by the supervisor of small loans, conditioned for the faithful and honest conduct of such business by the applicant, compliance with all the provisions of law relating thereto, and the prompt payment of claim against him for which he may be liable under the provisions of this article. With the permission in writing of the supervisor of small loans, suit on said bond may be brought in the name of the people, by and for the benefit of any person, association, partnership or corporation who has any claim against any licensee arising out of any transaction with him as such licensee, or out of any failure of such licensee to conduct his business or make payment as above stated. The supervisor shall give such permission, on such terms and conditions with regard to acts as to him seem reasonable, unless some claim of the state under such bond would thereby be jeopardized, or unless in his judgment there is not sufficient ground for thinking that the claimant has a just and valid claim. No right given by this section or claim or action therein, shall be construed to be a bar to any other right any such person, association, partnership or corporation may have against any licensee. If at any time for any reason, whether because of obligations, suits, or judgments against said licensee or collected under such bond, or otherwise, the supervisor deems it necessary, he may order the licensee to file an additional bond in a sum not exceeding that of the bond previously given by said licensee or immediately to surrender his license or may himself cancel it.

Sec. 319. Issue of license. After sixty days from the date this article takes effect, no person, association, partnership or corporation, wherever resident, shall engage, seek to engage, or hold himself out as engaging, in this state, in the business of loaning money in sums of two hundred dollars or less, unless a

license shall be procured from the supervisor of small loans, and displayed conspicuously in the place of business in this state of the licensee. If the applicant be a non-resident, or a partnership, at least one of the members of which does not reside within this state, or a foreign corporation, such license shall only be issued upon the filing by the applicant with the supervisor of small loans, in a form approved by him, of the designation of a resident agent for the transaction of business within the state, upon whom all lawful process may be served, in any proceeding arising under the provisions of this act, with the same effect as if served upon the licensee. Any agent at any time designated, must be approved by the supervisor. All such designations shall state the full name and the private and office or business address of the agent. The supervisor shall reject any application for license unless he is satisfied that the character and general fitness of the applicant is such as to command the confidence of the community and to warrant the conclusion that the business will be honestly transacted in accordance with the intent and purpose of this article. For the purpose of so satisfying himself the supervisor may summon the applicant, or any agent, employee, member of the partnership, or officer, trustee, or director of the corporation, and such other witnesses as he may deem necessary to appear before him and testify under oath, and may require the applicant to furnish, in such form as the supervisor may prescribe, such information as to the supervisor seems necessary or proper, with regard to the character and general fitness of the applicant. The failure so to furnish any information, or the failure of any person so summoned to so appear and testify in answer to any question, relevant to the enquiry, under oath, shall, in the discretion of the supervisor, be sufficient ground for the rejection of any application. Upon making application for such license, the applicant shall pay to the supervisor a license fee of one hundred dollars. If the application is rejected, seventy-five dollars shall be repaid to the applicant. The license shall state fully the name of the person or corporation, and of every member of the partnership or association authorizd to do business thereunder, the location including street, and number, if any, of the place of business in which the business is to be conducted, and if

the licensee be a corporation, the state under the laws of which it is incorporated, the date and place of incorporation, the name of the president or other managing officer, and of its directors or trustees and the name and private and office or business address of any designated agent, required by law. If any change in any of the above facts occurs, a statement of such change shall be forthwith filed with the supervisor, who may at any time, after a hearing, revoke the license. Upon any such change the licensee shall obtain a new copy of the license stating the facts as they then exist, the charge for which shall be one dollar. Every license shall expire on the first day of May succeeding the date of issue thereof, and no reduction of fee shall be made for a license issued for less than a year.

Sec. 320. Manner and place of transacting business. No licensee shall transact or solicit business under any other name or at any other office or place of business than that named in the license. Not more than one office or place of business shall be maintained under the same license, and no loan or advance shall be made at any other place than that designated in the license. If it is desired to remove the office or the place of business to another place in the same city, or village, the supervisor of small loans shall, on application, indorse on the license a transfer to the new office or place of business, with the date of such transfer, and from the time of such indorsement the name and place so designated shall be deemed the place named and designated in the license. No additional fee shall be exacted for such indorsement. The business of making small loans shall not be transacted on the same premises with any other business. Except in the City of New York, no licensee shall make any loan secured by mortgage upon personal property located in any other county than that in which the licensee is located; and if he is located in the City of New York, unless the property is located in New York City. Except in the City of New York no licensee shall make any loan secured by assignment of wages unless the borrower is, at the time of making the loan, employed in the same county in which the licensee is located; nor if located in the City of New York, unless such borrower is employed in that city.

Sec. 321. Reports by licensees. All licensees shall annually on the first day of February, submit under oath a report to the supervisor of small loans in the form of a trial balance of their books at the close of business on the thirty-first day of December preceding, and shall specify the different kinds of liabilities and the different kinds of assets, together with such other information as said supervisor may order to be given, in accordance with a blank form to be furnished by him.

Sec. 322. General powers and duties of supervisor respecting licenses. The supervisor of small loans shall

1. Have power to investigate all complaints made against every licensee for the purpose of ascertaining whether the laws of the state in respect to the transaction of such business or regulating the interest chargeable by such licensee, are being complied with. He shall, either personally or by such assistants as he may designate, at least once a year, and oftener if he deems it necessary, examine the affairs of such licensees, and for that purpose shall have free access to the vaults, books, securities and papers thereof, and other sources of information with regard to the business of such licensee, and shall ascertain the condition of the business, and whether it has been transacted in accordance with law and the rules and regulations made thereunder. The cost of any such examination shall be paid by the licensee examined.

2. Have power to take proof and testimony in relation to any matter subject to investigation by him. He shall also have power to order such licensees, or any alleged violators of this article, the agents, employees, officers, trustees or directors, of such licensees or violators, and such other witnesses as he deems necessary, to appear before him, and examine them relative to the conduct and condition of their business and for any such purpose may administer oaths. Whoever, without justifiable cause, refuses to appear and testify when so ordered, or obstructs the supervisor or his representatives in the performance of their duties, shall be guilty of a misdemeanor.

3. Investigate all violations and alleged violations of this article that come to his attention; make all reasonable efforts to

discover the same; notify the proper prosecuting officer whenever he has reasonable grounds for thinking that a violation has occurred; act as complainant in the prosecution thereof; and aid such officer to the best of his ability, in such prosecution.

4. Report annually, on or before January fifteenth, to the superintendent of banks in relation to the conduct of his office during the preceding calendar year, giving a list of licensees, with date of issue of license stating particularly every rule or regulation made by him, every investigation made by him, and every violation of the laws of the state that shall have come to his attention, and recommending such legislation as he deems advisable. Such report shall be included by the superintendent of banks in his annual report.

5. Have power to prescribe reasonable rules and regulations and give reasonable orders with regard to the conduct of the business of the licensees, to the blanks or forms to be used by them, and generally to carry out the meaning and intent of this article.

Sec. 323. Loans. No loan greater than two hundred dollars shall be made by any licensee to any one person, association, partnership or corporation, nor shall any one person, association, partnership or corporation owe such licensee more than the principal sum of two hundred dollars at any one time. At the time a loan is actually made, the lender shall deliver to the borrower a duplicate copy of every assignment, promissory note, chattel mortgage, or other paper or document signed by the borrower, relating to such loan, or the loan and security given thereunder shall be void. Upon the repayment of a loan in full, every paper signed by the borrower shall be returned to the borrower, destroyed in his presence, or his signature torn from each of such papers and returned to him. No assignment of salary or wages or order for the payment thereof shall be valid for a period exceeding one year from the making of such assignment, and not exceeding ten per centum of a borrower's salary or wages for any one month shall be collectible therefrom under such an assignment or order, if the amount of the loan be not paid in accordance with the terms thereof. Upon payment as aforesaid

or tender of the amount legally due if the loan is secured by a mortgage or pledge of personal property, or assignment or order for wages, the mortgage shall be discharged, the pledge restored, or the assignment or order released and discharged. Every licensee shall furnish the borrower at the time the loan is made a statement in the English language showing in clear and distinct terms the amount of the loan, the date when loaned and when due, the person to whom the loan is made, the name of the lender, and the amount and rate of interest charged. Upon such statement there shall be printed in English a copy of Sec. three hundred and twenty-four of this article. The lender shall give to the borrower a plain and complete receipt for all payments made on account of the loan at the time such payments are made. No licensee shall take any assignment of or order for wages of a husband to which the written consent of the wife is not attached, unless they are legally separated; or any confession of judgment; or any power of attorney; or any instrument signed by attorney, and not personally; or any instrument that does not state the actual amount of the loan in question, the time for which it is made, and the rate of interest to be paid; or any instrument in which blanks are left to be filled after execution; or make any loan secured wholly or in part by pledge of personal property.

Sec. 324. Interest on loans. No licensee shall, directly or indirectly, charge or receive for the use or sale of his personal credit or for making any advance or loan of money, in sums of two hundred dollars or less amounts, a greater sum than at the rate of three per centum per month, which shall not be payable in advance or deducted from the amount of the loan, and shall be computed on unpaid balances. No charges, bonus, fees, expense or demands of any nature whatsoever other than interest as above provided shall be made for such use or sale or upon such advances or loans except upon and for the actual foreclosure of the security or entry of judgment as established and fixed by law. In calculating the amount so charged or received there shall be included all sums paid or to be paid by or on behalf of the borrower, to any person, association, partnership or corporation or charged against him by any person, association, partnership or corporation which directly or indirectly relate to the loan. The

foregoing prohibition shall apply to any person, association, partnership or corporation that as security for any loan, makes a pretended purchase of property and permits the owner or pledger to retain the possession thereof, or who, by any device or pretence, seeks to obtain a larger compensation than that hereinabove provided.

Sec. 325. Actions where brought. Any action brought to enforce any obligation given by a borrower for money loaned by a licensee under this article, or any security therefor, shall be brought within the county wherein the loan was made and the money actually received by the borrower.

Sec. 326. Regulations respecting collection of loans. Any person, association, partnership or corporation who shall, after this article takes effect, make to any employee an advance of money, or loan, on account of salary or wages due or to be earned in the future by such individual, upon an assignment sale of salary, promissory note or other written instrument covering such loan or advance, shall not acquire any right to collect or attach the same while in the possession or control of the employer unless such assignment or sale of salary, promissory note or other written instrument be dated on the same day on which such loan is actually made and unless such person, association, partnership or corporation is licensed under this article.

Sec. 327. Penalties. Any person, or any association or partnership or member of the same, or any corporation or officer, trustee or director of the same, or any agent of any of the above, who shall violate or assent to the violation of this article, or of any of the rules, regulations, or orders passed in pursuance thereof, shall be guilty of a misdemeanor, and any loan or loans made in connection with any such violation shall be void and unenforceable. The fact of violation by an agent shall be *prima facie* evidence of assent to the same by his principal; the fact of violation by any member of a partnership shall be *prima facie* evidence of assent to the same by each other member of said partnership; the fact of violation by a corporation shall be *prima facie* evidence of assent to the same by every officer of such corporation; the fact of violation by any director, trustee or officer of a

corporation shall be prima facie evidence of assent to the same by the corporation. If a licensee be convicted of a second offense, his license shall be deemed revoked from the date of such conviction and another license shall not be issued to the person so convicted. The supervisor may, in his discretion, revoke the license of any licensee who shall be conducting his business in a manner that is oppressive, unfair or, in the best judgment of the supervisor, not in accordance with the provisions of this article, or any rules, regulations or orders issued thereunder. No forfeiture or penalty shall be incurred, or loan or interest thereon rendered void, by reason of this article until after the sixtieth day from the date this article takes effect.

Sec. 328. False or misleading advertisements. Whoever prints, publishes, distributes or circulates, or causes to be printed, published, distributed or circulated, any written statement with regard to the rates, terms or conditions for the lending of money which is false or calculated to deceive, shall be guilty of a misdemeanor.

Sec. 329. Application of article. This article shall not apply to loans upon real estate security; nor to licensed pawnbrokers in their transactions as such licensed pawnbrokers; nor to individual bankers, private bankers or associations or corporations regulated or authorized to do business by other articles of this chapter in their transactions as such bankers, associations or corporations; nor to life insurance companies. Any provisions of other sections and articles of the banking law to the contrary, notwithstanding, the following sections, and these sections only, of the banking law shall be applicable to this article:—Sections three, four, five, six, seven, eleven, sixteen, and twenty-five, except subdivisions one, two, three and four of section twenty-five; the sections of article twelve.

Sec. 329a. Limitation of usury law. The provisions of any other statute limiting the amount chargeable for the loan or forbearance of money or loan of credit, or prescribing the punishment for exacting, demanding or receiving usurious interest shall not apply to any licensee under this article.

Sec. 2. Article five-a of "An act relating to general business, constituting chapter twenty of the consolidated laws" being chapter 579 of the laws of nineteen hundred and thirteen is hereby repealed. Licenses issued by the supervisor of small loans created by this act, under all the terms and conditions of this act, within sixty days of this act going into effect, to licensees under the act hereby repealed, who shall surrender such licenses for cancellation to said supervisor, shall be issued without charge. All licenses issued under the act hereby repealed shall, sixty days after this act goes into effect, be void. Any licensee under the act hereby repealed who, within sixty days after this act goes into effect, shall present his license for cancellation to the state comptroller, shall receive therefor a warrant upon the state treasury for one hundred dollars; and the state comptroller and state treasurer are hereby authorized and directed to issue, and to pay, the same.

## APPENDIX III

## REPORT OF THE COMMITTEE ON LEGISLATION.

In the opinion of the Committee the most satisfactory law regulating the small loaning business is one that forbids the making of loans of less than \$200 or \$300 regardless of the nature of the security, except by licensed and supervised persons or corporations. The license should be issued by a specially created state department or a bureau within an existing department, preferably that of banking. A bond of at least \$1,000 should be filed. The supervising authority should be given power to examine the books and business methods of licensees and they should report to him at least annually. The rate of interest should be 2 per cent. per month with an additional fee of about \$1.00 to partially cover the cost of examining the security, or a flat rate of 3 per cent. per month without additional fees of any character. The flat rate without fees is preferable. If fees are allowed they should be safe-guarded against repetition through renewals or extensions, or even in case new loans are made within a period of six months or a year. It is so difficult to safe-guard the fee against undue repetition that the Committee believes that wherever possible a flat rate of interest of about 3 per cent. per month should be allowed. Interest should be charged only on unpaid balances. The supervising authority should be given power to make such rules and regulations as may seem to him necessary. He should have power to refuse to issue a license when in his judgment the character of the applicant is not such as to indicate that the law will be observed. He should also have power to revoke licenses for misbehavior, but licensees should have the right of appeal. Borrowers should receive receipts for all payments made, a copy of the section of the law regulating charges, and a memorandum showing clearly the amount and the due date of interest and installments on principal. Penalties of fine and imprisonment should be provided for persons operating without license, and for licensees who violate the law. Loans made at illegal

rates should be absolutely void and unenforceable. It is the opinion of the Committee that the law should permit copies of chattel mortgages to be filed in place of the expensive and unwieldy system now in force in several states requiring all mortgages to be copied in long-hand as a public record.

Fairly satisfactory small loan laws are now in force in Massachusetts, Rhode Island, New York, New Jersey, Illinois, Indiana, Missouri, Michigan, Colorado and Oregon. In these states the law allows an interest charge of about 2 per cent. per month (Massachusetts and Illinois, 3 per cent., Rhode Island, 5 per cent. on small loans), on small loans secured by pledge or mortgage of personal property or assignments of wages. The New Jersey law applies only to chattel mortgage loans, the New York law to loans secured by pledge or mortgage of personal property, and the Illinois law to loans secured by assignments of wages. In all of these states license and bond are required. In Massachusetts the supervision is vested in a state supervisor of loan agencies; in New York, New Jersey, Colorado and Oregon, in the state superintendent of banks; in Illinois in the auditor of public accounts.

In Maryland, Virginia, Pennsylvania, Tennessee, Ohio, Wisconsin and Minnesota, the laws recognize the necessity of a higher charge on small loans than the banking rate of interest, but allow this by providing for an examination fee in addition to the contract rate of interest. In all of these states license is required, and usually a bond, but the license is issued by local authorities and the supervision of licensees is inadequate.

Laws designed to regulate the small loan business have been enacted in several other states, but are defective in that the charges allowed are too low to permit the business to be done profitably or because they inadequately cover the various phases of the business. This list includes Maine, Connecticut, Delaware, Mississippi, Nebraska, Montana, California and the District of Columbia.

A. H. HAM,  
R. M. RUTHERFORD,  
CHAS. L. CRANE,  
*Committee on Legislation.*

**NOTE.**—The present law of the District of Columbia allows a charge of one per centum per month which must "cover all fees, expenses, demands and services of every character, including notarial and recording fees and charges." In the light of experience and in view of the fact that each licensee must pay an annual license fee of \$500 and file a bond of \$5,000, this law would seem to be prohibitive. The member of the Federation in the District of Columbia, however, is attempting to comply with its terms, pending the granting of relief by Congress.

It should be the purpose of small loan legislation to make it possible for the business to be conducted at a fair profit, in order that decent capital may come into the business and furnish the competition necessary to keep profits within reasonable limits. Banking rates of interest cannot be imposed upon this business. The loan company, having no deposits, must do business on its paid-in capital alone; and in order to pay operating expenses, losses, and a reasonable return upon the investment, a higher rate of interest than the banking rate must be charged. What this rate should be is best shown by an analysis of the annual reports of the 34 remedial loan societies now in operation. The annual operating expenses, including losses from unpaid loans, of the 17 chattel loan societies that were organized prior to January, 1910, average 14.4 per centum of the average amount outstanding on loans. The figures are considerably increased in the case of societies organized since January, 1910, and not yet on a full working basis. Add to the operating cost of 14.4 per centum a fair return to capital of, say, six per centum, and we find that a charge of over twenty per centum per annum, inclusive of interest and fees of whatever character, is the minimum charge on which the business can be conducted, unless a very large capital is employed. As many of the societies included in this list have been in operation for many years, and have been able to effect economies in operating expense that are possible only through long experience, it is safe to say that capital cannot be encouraged to enter this field unless a charge of at least two per centum per month is allowed. Experience has proved that the pawnbroking business can be done at a slightly lower cost, and that for loans upon salaries a charge of about three per centum should be allowed.









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# BULLETIN

OF

The National Federation of Remedial  
Loan Associations

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December, 1914

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PROCEEDINGS  
SIXTH ANNUAL CONVENTION  
PHILADELPHIA, PA., JULY 9, 10, 11, 1914

PUBLISHED BY  
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# The National Federation of Remedial Loan Associations

Organized at Buffalo, N. Y., June 10, 1909, and affiliated with the National Conference of Charities and Correction.

## MEMBERS OF THE FEDERATION

		Organized
1 Collateral Loan Co., Boston, Mass.	William Cobb, Pres.	1859
2 Workingmen's Loan Assn., Boston, Mass.	T. A. Richardson, Mgr.	April 19, 1888
3 Economy Bldg. & Loan Co., Cleveland, Ohio.	D. H. Pond, Pres.	Dec., 1892
4 Provident Loan Soc. of New York, N. Y.	Frank Tucker, Vice-Pres.	May, 1894
5 St. Bartholomew's Loan Assn., New York, N. Y.	J. R. Ferguson, Mgr.	Feb., 1895
6 Worcester Collateral Loan Assn., Worcester, Mass.	C. E. Burnham, Treas.	Nov., 1896
7 Workingmen's Loan Assn., Providence, R. I.	Chas. F. Bigelow, Mgr.	Jan., 1898
8 Chattel Loan Assn. of Baltimore City, Md.	W. N. Finley, Mgr.	May, 1898
9 First State Pawners' Society, Chicago, Ill.	Samuel Wolfort, Mgr.	Nov., 1899
10 Citizens' Mortgage Loan Co., Cincinnati, Ohio.	Hugh Cavanaugh, Mgr.	June, 1900
11 Society for Savings and Loans of Washington, D. C.	J. T. Exnicios, Treas.	Jan., 1905
12 Provident Loan Society of Milwaukee, Wis.	J. H. Rubin, Mgr.	Feb. 5, 1905
13 Newark Provident Loan Assn., Newark, N. J.	Wm. F. Davis, Mgr.	April, 1905
14 Workingman's Collateral Loan Co., Cleveland, Ohio.	W. J. Kirkpatrick, Mgr.	April, 1906
15 Provident Loan Society of Detroit, Mich.	John E. Ryan, Mgr.	July, 1906
16 Chattel Loan Co., Grand Rapids, Mich.	F. E. Stroup, Treas.	Jan., 1910
17 Equitable Loan Assn., Minneapolis, Minn.	R. C. Glidden, Mgr.	April 11, 1910
18 Provident Loan Society, St. Louis, Mo.	C. M. Kelly, Mgr.	June, 1910
19 People's Provident Assn., Louisville, Ky.	R. M. Rutherford, Mgr.	Oct. 1, 1910
20 Remedial Provident Loan Assn., Paterson, N. J.	F. X. Meegan, Mgr.	Nov. 22, 1910
21 Welfare Loan Agency, Kansas City, Mo.	M. M. Power, Supt.	Dec., 3, 1910
22 Provident Loan Society, Seattle, Wash.	H. C. Henry, Pres.	Jan. 1, 1911
23 People's Loan Co., Portland, Me.	C. A. McCarty, Treas.	Dec. 19, 1911
24 Chattel Loan Society of New York, N. Y.	R. R. Stevens, Mgr.	Feb. 19, 1912
25 Provident Loan Society, St. Paul, Minn.	D. S. Coffey, Mgr.	Feb. 29, 1912
26 Utica Provident Loan Assn., Utica, N. Y.	Geo. E. Upson, Mgr.	Mar. 20, 1912
27 Provident Loan Association, Sioux City, Iowa.	A. L. Whitmer, Pres.	April 1, 1912
28 Indianapolis Public Welfare Loan Assn., Indianapolis, Ind.	C. R. Jones, Mgr.	Nov. 4, 1912
29 San Francisco Remedial Loan Assn., San Francisco, Cal.	Albert C. Auger, Mgr.	Dec. 16, 1912
30 Provident Loan Society, Rochester, N. Y.	F. A. Phillips, Mgr.	Dec. 26, 1912
31 Remedial Loan Society, Buffalo, N. Y.	Chas. H. Brown, Jr., Mgr.	Jan. 14, 1913
32 Onondaga Provident Loan Assn., Syracuse, N. Y.	Erasmus Pellenz, Mgr.	Mar. 1, 1913
33 Duluth Remedial Loan Association, Duluth, Minn.	Harry E. Berg, Mgr.	May 12, 1913
34 Equitable Collateral Loan Co., Youngstown, Ohio.	John E. Taylor, Mgr.	June 1, 1913
35 First State Industrial Wage Loan Society, Chicago, Ill.	Arthur E. Hill, Mgr.	Nov. 10, 1913
36 Provident Loan Society, Dallas, Tex.	M. J. Jacobus, Mgr.	May 29, 1914
37 Remedial Loan Company of Philadelphia, Pa.	Frank S. Benson, Mgr.	Oct. 7, 1914

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130 East 22nd St., New York, N. Y.	



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Robert H. I. Goddard	Chas. A. Catlin
Henry D. Sharpe	Walter G. Brown
	Chas. F. Bigelow, Manager

CHATTTEL LOAN ASSOCIATION,  
Baltimore, Md.

Daniel C. Ammidon, Pres.	Dwight D. Mallory
Jos. Clendenin	Albert W. Rayner
W. Hall Harris	Lawrason Riggs
Daniel W. Hopper	Richard J. White
Chas. Morris Howard	Elisha H. Perkins
T. Edw. Hambleton	Douglas M. Wylie
	W. N. Finley, Manager

FIRST STATE PAWNERS' SOCIETY,  
Chicago, Ill.

John V. Farwell, Pres.	Edward D. Butler
John G. Shedd	Edgar A. Bancroft
Edwin G. Foreman	Rollin A. Keys
Nelson P. Biglow	W. H. Bennett
Frank H. Jones	Samuel Wolfort, Manager

CITIZENS' MORTGAGE LOAN COMPANY,  
Cincinnati, O.

Louis E. Miller, Pres.	D. D. Woodmansee
Wm. H. Alms	B. H. Kroger
Ralph R. Caldwell	Harry M. Levy
W. B. Carpenter	D. B. Meacham
Henry M. Curtis	J. G. Schmidlapp
J. T. Carew	Max Senior
Max C. Fleishmann	George H. Stearns
	Hugh Cavanaugh, Manager

SOCIETY FOR SAVINGS AND LOANS OF WASHINGTON,  
Washington, D. C.

Louis R. Klemm, Pres.      E. S. Thompson, Secy.  
Joseph T. Exnicios, Treas.

PROVIDENT LOAN SOCIETY,  
Milwaukee, Wis.

E. A. Wadham, Pres.	H. M. Benjamin
C. W. Norris	J. H. Kopmeier
Wm. D. Lindsay	Walter Read
C. A. Loveland	John E. DeWolf
Wm. B. Rubin	Oscar E. Nell
	J. H. Rubin, Secy.

NEWARK PROVIDENT LOAN ASSOCIATION,  
Newark, N. J.

Lathrop Anderson, Pres.	G. Wisner Thorne
Julius S. Rippel	J. William Clark
Benjamin Atha	Franklin Conklin
David H. Merritt	Philemon L. Hoadley
Louis Bamberger	Alexander S. Ward
Henry H. Dawson	Walter C. Heath
	Wm. F. Davis, Manager

WORKINGMAN'S COLLATERAL LOAN CO.,  
Cleveland, O.

F. F. Prentiss, Pres.	Reuben Hitchcock
S. F. Haserot	Wm. H. Hunt
A. D. Baldwin	Paul Feiss
Edward L. Howe	C. C. Bolton
C. L. F. Wieber	A. L. Stone
J. G. W. Cowles	H. H. Hackman
J. W. Walton	Starr Cadwallader
T. W. Hill	W. J. Kirkpatrick, Manager

PROVIDENT LOAN SOCIETY,  
Detroit, Mich.

Tracy W. McGregor, Pres.	James Inglis
D. M. Ferry	Bernard Ginsburg
H. E. Bodman	Wm. P. Stevens
Christian H. Hecker	John E. Ryan, Manager

CHATTEL LOAN COMPANY,  
Grand Rapids, Mich.

Russell W. Bertsch, Pres.	Andrew Johnson
F. E. Stroup, Treas.	Ira Blossom
Ganson Taggart	Bert Owens
	Irving H. Stroup

EQUITABLE LOAN ASSOCIATION,  
Minneapolis, Minn.

T. B. Janney, Pres.	J. R. Van Derlip
N. F. Hawley	W. G. Hudson
S. W. Wells	F. W. Clifford
L. E. Wakefield	C. C. Webber
C. M. Case	R. C. Glidden, Manager

PROVIDENT LOAN SOCIETY,  
St. Louis, Mo.

Chas. L. Crane, Pres.	L. A. Anderson
E. W. Mangson	R. E. L. Winter
Oliver J. Barwick	C. W. Hughes
Louis Renard	C. M. Kelly, Manager

PEOPLE'S PROVIDENT ASSOCIATION,  
Louisville, Ky.

Theo. Ahrens, Pres.	K. K. Gartner
A. M. Pelletreau	Caldwell Norton
Alex. G. Barrett	V. B. Smith
Jno. W. Barr, Jr.	Chas. C. Stoll
I. W. Bernheim	E. M. Swift
H. Bachmann, Jr.	Max Traut
R. F. Vaughan	Thomas Love
	R. M. Rutherford, Manager

REMEDIAL PROVIDENT LOAN ASSOCIATION,  
Paterson, N. J.

John W. Ferguson, Pres.	William Hand
August A. Fischer	James W. Cook
Dr. Joseph H. Kenna	Jacob Fabian
Oscar J. Hulser	Charles M. King
Rev. Anthony H. Stein	Francis X. Meegan, Manager

WELFARE LOAN AGENCY,  
Kansas City, Mo.

William Volker, Pres.	M. M. Power, Supt.
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PROVIDENT LOAN SOCIETY,  
Seattle, Wash.  
H. C. Henry, Pres.

PEOPLE'S LOAN COMPANY,  
Portland, Me.

F. E. Boothby, Pres.	Wm. T. Cousins
C. A. McCarty, Treas.	Vernon F. West
Wm. J. Harvey	William H. Looney
John F. Dana	Silas B. Adams
	Herbert Payson

CHATTEL LOAN SOCIETY OF NEW YORK,  
New York, N. Y.

Johnston de Forest, Pres.	Edwin G. Merrill
Robert W. de Forest	John M. Glenn
Mortimer L. Schiff	A. M. Pelletreau
Pierre Jay	George D. Pratt
Arthur H. Ham	Frank Tucker
George S. Brewster	Harold T. White
Paul D. Cravath	Henry Ruhlander
Dave Hennen Morris	Robie R. Stevens, Gen. Mgr.

PROVIDENT LOAN SOCIETY,  
St. Paul, Minn.

C. J. McConville, Pres.	Gebhard Bohn
Wm. McCurdy	L. S. Cushing
H. W. Parker	W. B. Gerry
Louis Betz	Charles L. Spencer
Ambrose Tighe	D. S. Coffey, Manager

UTICA PROVIDENT LOAN ASSOCIATION,  
Utica, N. Y.

George S. Dana, Pres.	Charles A. Miller
Thomas R. Proctor	Judson G. Kilbourn
Isaac N. Maynard	Sherwood S. Curran
Merwin K. Hart	Francis K. Kernan
Nellis M. Crouse	Geo. E. Upson, Manager

PROVIDENT LOAN ASSOCIATION,  
Sioux City, Ia.

A. L. Whitmer, Pres.	H. P. Guiney
W. P. Manley	F. A. McCornack
G. R. Whitmer	G. R. Badgerow
R. H. Munger	J. W. Kindig
	H. L. Houghton

INDIANAPOLIS PUBLIC WELFARE LOAN ASSOCIATION,  
Indianapolis, Ind.

G. A. Efroymson, Pres.	S. B. Kaufman
Ralph Bamberger	Wm. J. Mooney
Hon. James A. Collins	W. K. Stewart
Rev. Francis H. Gavisk	Franklin Vonnegut
John H. Holliday	C. R. Jones, Manager

SAN FRANCISCO REMEDIAL LOAN ASSOCIATION,  
San Francisco, Cal.

Selah Chamberlain, Pres.	Jesse W. Lillenthal
Frank B. Anderson	Frank J. Murasky
W. B. Bourn	E. W. Newhall
Mrs. Francis Carolan	Mrs. Henry Payot
Wm. H. Crocker	M. H. Robbins
F. Dohrmann, Jr.	B. F. Schlesinger
Mort. Fleishhacker	Mrs. Louis Sloss
Mark Gerstle	Henry Sinsheimer
D. Ghirardelli	Talbot C. Walker
I. W. Hellman, Jr.	Albert C. Auger, Manager

PROVIDENT LOAN SOCIETY,  
Rochester, N. Y.

Harper Sibley, Pres.	Joseph Michaels
Geo. J. Keyes	Wm. C. Barry, Jr.
O'Donnell Iselin	John F. Forbes
Geo. S. Van Schaick	Frank Keough
Isaac Adler	Percy R. McPhail
Harvey E. Cory	Kingman Nott Robins
Edward Harris	Robert C. Shumway
Jesse Lindsay	F. A. Phillips, Manager

REMEDIAL LOAN SOCIETY,  
Buffalo, N. Y.

Ansley Wilcox, Pres.	Langdon Albright
John H. Lascelles	Chauncey Hamlin
Frederick C. Gratzwick	Howard Bissell
Roderick Potter	Harry T. Ramsdell
John H. Baker	Chas. H. Brown, Jr., Manager

ONONDAGA PROVIDENT LOAN ASSOCIATION,  
Syracuse, N. Y.

F. R. Hazard, Pres.	Robert Dey
T. W. Meachem	T. F. Anderson
Stewart F. Hancock	Leonard A. Sixer
Chester H. King	Joseph W. Dawson
Grant D. Green	Charles A. Hudson
C. L. Amos	Henry W. Jordan
Thomas Hooker	Morton D. Whitford
John A. Matthews	Erasmus Pellenz, Manager

DULUTH REMEDIAL LOAN ASSOCIATION,  
Duluth, Minn.

Townsend W. Hoopes, Pres.	Oliver S. Andreson
R. B. Knox,	C. F. Graff
F. W. Paine	Harry A. Berg, Manager

EQUITABLE COLLATERAL LOAN CO.,  
Youngstown, O.

H. H. Stambargh, Pres.	Richard Garlick
R. W. Forcier	W. E. Manning
R. E. Cornelius	John E. Taylor, Manager

FIRST STATE INDUSTRIAL WAGE LOAN SOCIETY,  
Chicago, Ill.

Marvin B. Pool, Pres.	Henry Beneke
William H. Rehm	Louis Mohr
D. F. Kelly	Howard G. Hetzler
Gustave F. Fischer	Harry J. Powers
W. Rufus Abbott	Arthur E. Hill, Manager

PROVIDENT LOAN SOCIETY,  
Dallas, Tex.

J. K. Hexter, Pres.	J. T. Howard
H. C. Coke	Alexander Sanger
J. Howard Ardrey	H. D. Lindsley
Chas. H. Platter	Simon Linz
Dean H. T. Moore	M. H. Wolfe
George W. Riddle	R. E. L. Saner
Royal A. Ferris	C. T. Rowan

M. J. Jacobus, Manager

REMEDIAL LOAN COMPANY OF PHILADELPHIA,  
Philadelphia, Pa.

Theodore J. Lewis, Pres.	T. Henry Walnut
William B. Buck	S. P. Wetherill, Jr.
John T. Emlen	Asa S. Wing
	F. S. Benson, Manager

SIXTH ANNUAL CONVENTION  
OF THE  
NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS  
HELD AT  
HOTEL ADELPHIA, PHILADELPHIA, PA.

July 9, 10 and 11, 1914

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First Session, July 9th, 1914, 2:30 P. M.

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The convention was called to order by the chairman, W. N. Finley, with representatives of the following societies present:

Economy Building and Loan Co., Cleveland, Ohio; Provident Loan Society, New York, N. Y.; St. Bartholomew's Loan Association, New York, N. Y.; Worcester Collateral Loan Association, Worcester, Mass.; Workingmen's Loan Association, Providence, R. I.; Chattel Loan Association, Baltimore, Md.; Citizens' Mortgage Loan Co., Cincinnati, Ohio; Society for Savings and Loans, Washington, D. C.; Provident Loan Society, Milwaukee, Wis.; Newark Provident Loan Association, Newark, N. J.; Workingman's Collateral Loan Co., Cleveland, Ohio; Provident Loan Society, Detroit, Mich.; Chattel Loan Co., Grand Rapids, Mich.; Equitable Loan Association, Minneapolis, Minn.; People's Provident Association, Louisville, Ky.; Chattel Loan Society, New York, N. Y.; Provident Loan Society, St. Paul, Minn.; Provident Loan Association, Sioux City, Ia.; San Francisco Remedial Loan Association, San Francisco, Cal.; Provident Loan Society, Rochester, N. Y.; Remedial Loan Society of Buffalo, N. Y.; Onondaga Provident Loan Association, First State Industrial Wage Loan Society, Chicago Ill., and Russell Sage Syracuse, N. Y.; Equitable Collateral Loan Co., Youngstown, Ohio; Foundation.

## REPORT OF THE CHAIRMAN.

W. N. FINLEY, Baltimore, Md.

The early years of any organization composed of members representing widely different interests and subject to widely different local conditions must of necessity be formative years, and during such a period many changes of policy may naturally be expected. But as I look back over the first five years of our National Federation I find that in all essential things we stand today where we stood in June, 1909, when the Federation was launched in Buffalo. The things for which we contended then—absolute fairness in dealing with our clients, interest charges fair to borrower and lender alike, equitable legislation, intelligent co-operation with affiliated societies and with local centers desiring to enter the remedial loan field, and above all, perhaps, constructive co-operation with the borrowing public to the end that habits of thrift may be formed and the enormous volume of unnecessary borrowing curtailed,—each and all of these things we still stand for. As a result, it is not too much to say that with the lapse of years our Federation has come to be recognized as the authority upon the general subject of loans in this country.

This is of course gratifying, and we should feel repaid for such outlay of time and money and effort as has been expended in bringing the National Federation to the high plane upon which it now stands, but there should be no assumption on our part that our work has been done and that we can rest from our labors. Many problems still confront us, and I trust you will pardon me if I direct your attention to a few matters which should in my judgment have your earnest consideration.

First of all I would suggest the need of closer and more intelligent co-operation with the officers of the Federation on the part of our members, and a keener interest in its affairs between conventions. I am firmly convinced that some of our members have conscientious scruples about writing letters, so difficult is it to get them even to acknowledge the receipt of a circular letter prepared for the purpose of disseminating matters of current interest. There should be a regular exchange of letters covering

topics of mutual interest not only between the members but also between the members and officers of the Federation. If you have had a good month, send copies of the report to all members. If you have come across some particular iniquity of the common enemy, the loan shark, report it generally, or at least to the chairman or secretary. If some especially good or bad legislation is attempted by your state legislature, report the fact with a copy of the proposed measure to the officers of the Federation, for co-operation between the loan sharks along legislative lines is so close that a bad bill passed or attempted is sure to be found in the legislature of some other state within a short time. Such information may be very helpful to your officers who are constantly being called upon for assistance in drafting remedial laws.

May I also suggest a careful review of the minutes of the previous convention in an effort to find out if you are complying with the resolutions passed? I am still wondering what happened to the author of the resolution concerning advertising which was so enthusiastically passed at the New York convention, and which will be found upon page 55 of the minutes of 1913, and not only to the author but to practically all of the members also. After waiting a month for material which did not come, I sent out the first circular letter of the year calling attention to the resolution and requesting the members to supply me with material. A most spirited debate was had upon this resolution, yet out of thirty-four members only six complied with its provisions.

The year which has just closed, the fifth year of our Federation, has not been as fruitful in the organization of new societies as former years, but I am convinced that this is largely due to prevailing business conditions. Throughout the year however, there has been no cessation in the campaign of education along remedial lines, but as these matters will be discussed by Mr. Ham in his report I will pass on to a consideration of the future of our organization.

We now have a membership of 35 societies located in 30 cities in 18 states. The figures as reported to the New York convention show that the 32 societies reporting did a business

aggregating \$21,643,783 divided among 646,985 loans, while at the same time they collected from their customers \$20,634,446. The total amount of money handled was \$42,288,229, and the entire business was carried on with a loss of \$18,148, or 8/100 of 1%, of the amount loaned. While the figures for 1913-14 are not yet available they will undoubtedly show a handsome increase along all lines, save in the item of losses.

If we have done nothing else, we have disproved the stock contention of the usurious money lenders that it is necessary to charge exorbitant rates in order to insure the loans because the risks are so great, for the members of this Federation do not deal in preferred risks, but draw their business from the same sources from which the high rate money lenders draw theirs,—namely, from the plain people who have no banking facilities. The record of the local societies cited above is one of which they may well be proud, but I cannot forbear asking the question "What of the future?"

Each local society is now no doubt handling its problems in the best way possible under local conditions. My question does not criticize them, but is designed to cover the wider field of the National Federation and its future usefulness. Have we done all we can to cover that field? Have we as yet taken our place as a recognized, strong, constructive force? Shall we continue, as we have been doing, and be content year by year to add new members which will continue to devote their entire energies to the solution of local problems? This work has undoubted value, but if we are content therewith it seems to me we are failing to grasp the full measure of opportunity before us. I believe that we will not attain our full strength, or live up to the full measure of our opportunities until we shall have caused to be incorporated and adequately financed a strong organization which shall be the progenitor of remedial loan agencies of all kinds wherever the need for such institutions shall have been ascertained. It is probable that the best interests of the work will be served by creating a separate organization with sufficient capital, which shall have for its aim the creation of local agencies for loaning in all branches of the business all over the land, rather than by the incorporation and

financing of the National Federation as at present constituted, but such an organization should in my opinion grow out of the National Federation and be operated by approved men from the Federation who have learned the business in the hard school of experience.

I may be a little premature in making the suggestion at this time but ultimately this problem must be solved, and if you grant this premise, you must agree with my conclusion, that it is eminently proper that we begin at once to give the matter thoughtful consideration. I should like the slogan of this convention to be "What of the future?" That no time may be lost I recommend the appointment of a committee under instruction to consider this question in all of its phases, and to devise if possible a practical working plan.

The program for this convention has been planned with care, and I commend it to your consideration with the earnest wish that every member present may take an active part in the discussion of the subjects presented, such as the advisability of combining chattel and pawning loans in one society; the expediency, desirability, or necessity of making loans upon salary assignment—a most important subject about which little is known; the question as to whether low-rate loan societies create a class of chronic borrowers; and the methods employed by remedial societies in treating applicants for loans and collecting from their clients.

The problem of legislation is one of the most complex and difficult with which we are called upon to deal, involving as it does in most cases the repeal of inadequate laws and not infrequently the creation of local sentiment in favor of remedial legislation. This convention should, I think, enunciate a guiding principle to control our future action upon all legislative questions.

If these questions are handled freely, frankly and intelligently, the minutes of the 1914 convention will form a valuable contribution to remedial loan literature.

It was voted to refer the recommendations of the chairman to the Executive Committee for consideration and report.

## REPORT OF THE SECRETARY-TREASURER.

J. T. EXNICIOS, Washington, D. C.

In spite of the hard work of your chairman and Mr. Ham during the year just closed, our membership roll shows the addition of but two associations: The Equitable Collateral Loan Co. of Youngstown, Ohio, and the First State Industrial Wage Loan Society, of Chicago, Ill., making our membership 35.

The membership dues were increased last year to \$25.00 for all associations admitted to membership prior to June, 1912, and \$10.00 for associations subsequently admitted, with the result that the sum received from dues amounted to \$735.00. All associations except one have paid their dues.

Herewith is submitted a detailed statement of receipts and expenditures for the year just closed.

## FINANCIAL STATEMENT FOR YEAR ENDING JULY 9, 1914.

RECEIPTS	DISBURSEMENTS
Balance, June 17, 1913....\$ 48.38	Refunded dues.....\$ 15.00
Membership dues..... 735.00	Publications ..... 306.05
Extra certificates..... 3.00	Copyright fees ..... 2.00
	Stenographer, June 19-20.. 20.00
	Advertising ..... 21.00
	Postage ..... 7.63
	Telegrams ..... .42
	Stationery & printing..... 80.10
	Chairman,
	Postage ..... 13.96
	Commercial report..... 1.50
	Telegrams, telephone.... 29.79
	Typewriting ..... 6.55
	Travelling expenses..... 178.33
	Geo. W. Manley, Traveling expenses and services 25.00
	Balance, July 9, 1914..... 79.05
<hr/> \$786.38	<hr/> \$786.38

## REPORT OF THE YEAR'S WORK.

A. H. HAM, New York, N. Y.

The constitution of this Federation, adopted at the time of its formation, sets forth as its object the encouragement of the organization of local remedial loan associations. Though the organization of new societies of the right sort in all communities where they are needed is the aim of those of us who are devoting our time to this work, the remedial loan movement is not circumscribed by the limits of the Federation's constitution. Helpful as these societies are, the small loan problem is not to be solved solely by their organization, even though in time every industrial community possesses one or more of them with funds sufficient to care for all needy borrowers. You must all realize that you have not aided a borrower to gain his economic independence merely by making a number of consecutive loans to him. You have taken him out of the usurer's grip but you have not permanently rehabilitated him until he has reached the point where he is able to go on without you. The topic of "Chronic Borrowers" on this program is one which I hope will receive more than superficial thought and discussion at your hands and this applies also to the topic "Factors Involved in Accepting Applications for Chattel Loans."

I would not minimize the value of the work of the societies which you represent. The making of small loans is as necessary as the giving of emergency relief by charitable institutions, but the success of the remedial loan society is not fully shown by the number and amount of loans it makes at reasonable rates. The remedial loan society should seek to teach the lesson of thrift and providence, to discourage borrowing except for productive purposes or under pressure of necessity. The number of applicants whom it has dissuaded from borrowing therefore and the number who, having received loans, are enabled thereby to become independent of its help must all be considered by a society in estimating the results of its work.

Nor is the progress made by the movement as a whole to be judged solely by the number of new societies formed. In calling public attention to the evil results of the loan sharks'

activities, in seeking the passage of satisfactory laws, in striving to have these laws strictly enforced, we are actuated not solely by a desire to eliminate the agencies which seek to take advantage of the borrower's needs and to create reputable agencies in their stead. We desire also to force people to realize that the deserving borrower who has no security to offer except personal property has a right to obtain loans at reasonable rates. Such loans, however, can be made only at rates that are at best burdensome and the small borrower, even though he possesses an abundance of security, has no moral right to borrow for other than a meritorious purpose.

Much of the effect of our propaganda is too intangible to permit of appraisal but as this convention marks the fifth anniversary of the formation of the Federation, it is well for us to review, so far as we can, the results accomplished.

#### MEMBERSHIP.

First of all, the number of remedial loan societies has been increased from 13 to 36. Two of these, the Equitable Collateral Loan Company of Youngstown, Ohio, and the First State Industrial Wage Society of Chicago, Illinois, have been admitted to membership in the Federation since the last convention and a third, the Remedial Loan Association of Portland, Oregon, is now in operation and will doubtless apply for membership in the near future.

The funds employed last year by the 35 members of the Federation amounted to over \$13,000,000. They made 724,443 loans amounting to \$24,782,370 and sustained losses of \$21,492, amounting to less than 1/5 of 1% of the average loan balance, or less than 1/10 of 1% of the total amount loaned. That there is need for a remedial loan society in every industrial city and that the plan upon which the societies operate is financially sound is further shown by an excerpt from the last annual report of the Remedial Provident Loan Association of Paterson, New Jersey:

"The need of our services was never more fully demonstrated than during the past year, when the mills of the city were practically at a standstill by reason of the silk strike. Many

worthy persons applied during that time, and were accommodated when the prospects were uncertain at the time of their meeting the payments when due. At least fifty per cent. of our customers were affected and these we were compelled to carry for an indefinite time. When conditions became normal these accounts were paid off promptly, and in only two cases did the borrowers fail to show their appreciation of this departure from our regular method of doing business."

A society has been incorporated in Lynn, Mass., with a capital of \$25,000; in Dallas, Texas, \$25,000 has been subscribed. In Jersey City and Dayton the organization of societies is progressing satisfactorily. In Philadelphia a society with a subscribed capital of \$30,000 would now be opening its doors had it not been for an unfortunate court decision handed down a few days ago declaring the Pennsylvania small loans law to be unconstitutional. There is little doubt that the higher courts will overrule this decision, but a delay of several months cannot be avoided.

I will not take the time to describe the present status of organization plans in other cities. Interest has been aroused in practically every state of the union and as far away as Melbourne, Australia, a remedial loan society, modelled upon your societies, is in successful operation. Interest is necessarily slow in crystallizing into organization on account of the limited assistance that we are able to give, and the confusion brought about by the publicity given to the promotion of new and unsatisfactory plans of loaning, but I shall be greatly surprised if the membership of the Federation does not exceed 40 by the time of our next convention.

If we were willing to depart from the high standard that we have set for membership; if we would permit the affiliation of agencies which, though lending at reasonable rates and aiding to a certain extent in raising the tone of the small loan business, have been formed and are operated primarily for personal gain, it would be an easy matter to increase our numbers to 100 within a few months. I assume, however, that we prefer slow and steady growth with high standards to rapid acquisition of members with consequent lowering of ideals; that the restric-

tions which have been set up in order that membership may be a badge of efficiency and social purpose are not to be abrogated merely for the sake of numbers.

#### LEGISLATION.

Remedial loan legislation recognizes the necessity for reasonable charges upon small loans, charges which will permit the business to be done openly and above board. It recognizes that the business is fraught with dangers and abuses, that small borrowers need protection, and so seeks to remove the odium which has long attached to it by attracting honest capital to the business under adequate supervision with effective penalties for violation.

Since the Federation was formed, the number of states which have enacted reasonably satisfactory laws has been increased from 9 to 25, and each year the statutes of many of these states are being corrected and improved.

This year New York has put upon its statute books a liberal measure creating satisfactory conditions for the conduct of the small loan business by personal loan companies and brokers under the supervision of a Fourth Deputy Superintendent of Banks. The penalty sections have been extended to include every known device for evasion and the vicious law of 1913, enacted under circumstances which I described to you last year, has been repealed.

New Jersey has greatly improved her statutes by the enactment of a concise law which requires all lenders of sums of less than \$300 to come under the supervision of the Commissioner of Banking and Insurance, limiting the interest rate to 3% per month, forbidding fees of any character and containing adequate penalty sections. The passage of both the New York and New Jersey bills was strenuously opposed by representatives of the loan sharks.

A bill was introduced in Congress on March 8 of this year, amending the District of Columbia law of 1913 by increasing the interest rate on small loans from 1% to 1½% per month. On April 23, the District Committee of the House of Representatives voted to amend the bill by increasing the interest rate to 2% per month and referred the matter to a sub-committee with instruc-

tions to prepare the necessary amendments, but the bill has not yet been reported back to the full committee and there are indications that it is not likely to be reported during the present session of Congress. When so many states have recognized the need for reasonable small loans legislation, the resistance of Congress to the efforts that have been made for several years to secure the passage of a satisfactory law for the District of Columbia is somewhat difficult of explanation.

Prosecuting officials have been unusually active during the year in seeking to convict money-lenders, and important court decisions have been obtained which make for a better understanding of the legal rights of small borrowers. Many members of the loan shark fraternity have been convicted, fined and imprisoned and their most active and notorious member, D. H. Tolman, received a sentence of six months' imprisonment. Though he offered, in return for a pardon, to destroy evidences of indebtedness of some 20,000 borrowers, amounting to \$500,000, his plea was denied by the Governor of New York and he served his full sentence.

One of the many decisions of far-reaching importance was that of the Supreme Court of Kansas, which in December, 1913, awarded damages of \$5,558 to a borrower for loss of employment and persecution at the hands of a money-lender. A few more decisions of this sort will put a permanent stop to the blackmailing methods which many loan sharks employ to enforce their outrageous demands.

Each one of you knows better than I what the remedial loan movement has done to improve conditions in his city and it is unnecessary for me to bring detailed evidence to prove the truth of the statement attributed to a loan shark in Cincinnati that "the good old days of the loan business are gone forever." That he was not speaking in jest is indicated by the fact that of 117 loan shark offices in New York City, of which I had a record in December, 1910, not one is now known to be making loans; that the number of assignments filed by loan sharks against city employes in New York at the time of the monthly pay day decreased from 859 on December 1, 1913, to 72 on April 1, 1914; that on May 5, 1914, the last loan shark

advertisement disappeared from the columns of a New York newspaper which has always carried 90% of the advertisements of this sort and has recently had a complete monopoly of the business. In December, 1910, this paper printed 66 column inches of these advertisements daily. This one newspaper, which refused three years ago to close its columns to this class of advertising or to conduct any investigation of its own to determine its real character, has therefore suffered an involuntary loss of revenue amounting, at quoted rates, to \$6,000 monthly.

The past year has developed the usual number of attempts to organize purely profit-making agencies by promoters who seek to utilize the success of the remedial loan societies for their personal advantage. One scheme which we have previously discussed and which has been exploited at various times as being philanthropic, co-operative and remedial in character has recently suffered the withdrawal of its most prominent stockholders and directors. The publicity attending their withdrawal has stamped the scheme as a purely commercial venture and one not likely to be of much assistance in the campaign against the loan shark.

Interest in the subject of co-operative credit continues to gain ground with rapidity. With the publications of the reports of the American and United States Commissions, which studied European systems last year, and the enactment of credit union laws in Massachusetts, New York, Texas and Wisconsin, we may look for the early organization of a substantial number of credit unions, in both urban and rural communities. These unions have already received an impetus from the Federation, for it was one of the first organizations in this country to discuss the subject of co-operative credit. They should receive your further encouragement and support, for in supplementing the work of the remedial loan societies they will prove, when operated under favorable conditions, to be strong allies in the movement to eliminate the loan shark and place the man who has been victimized by him upon a sound financial footing. Like the remedial loan societies, they are a manifestation of a widespread desire to improve the condition of the small borrower and make him more thrifty and more efficient.

Though the progress of the remedial loan movement does not at all times seem rapid, it is proceeding encouragingly, for results of more permanent value appear to have been accomplished during the last few years than ever before in the history of the long campaign against the usurer.

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## THE ADVISABILITY OF A REMEDIAL LOAN SOCIETY MAKING BOTH CHATTEL AND PLEDGE LOANS.

ALBERT C. AUGER, San Francisco, Cal.

When investigating the loan shark evil in San Francisco, we made up our minds that competition was our most effective weapon, and a formidable one it has proved to be. Our association started with the conviction that to help the greatest number of people in need, we must make loans on such securities as the small borrower is most likely to offer.

Starting our business with limited capital made it necessary for us to consider carefully the type of loan which would produce the greatest benefit and best security. We therefore decided to make loans on pledges and chattels and are now confining our work to these two lines.

We appreciate the necessity of a salary loan department and shall not feel that we are embracing the entire field until we can conduct that also, but it will involve more capital than is at present available, although we have increased ours considerably in the two years of our operations. We have, however, rescued many a victim of the salary loan sharks by making him either a chattel or pledge loan, according to the security he possessed.

A pledge or pawn loan, on such security as diamonds, watches, jewelry, silver-ware, etc., properly appraised is perfectly safe and there are no losses attached, whereas a chattel loan involves more or less risk, and some losses are unavoidable even with the utmost caution. We make chattel loans at 2% and pledge loans at 1½% a month, making no additional charge or fees whatsoever.

For a loan association to be remedial, it must be in a position to make loans to the borrower who, through necessity, has been forced to go to the loan shark; not necessarily through ignorance or choice, but for the simple reason that there was no other way open to him by which he could secure a loan. To do that we must loan on the same security as does the shark.

The chattel and pledge departments seem to be closely allied and work hand in hand, as is shown by the fact that many an applicant for a chattel loan will, if for some reason it cannot be made, produce good and sufficient security for a pledge loan and receive such; and in turn many a delinquent chattel payment has been made good by the pledging of a piece of jewelry. An applicant may call with jewelry expecting a much larger loan than its value warrants and find that he can be fully accommodated by a chattel mortgage, all of which goes to illustrate how one department helps the other and adds materially to the volume of the business, thus making small loans possible at a low rate of interest.

With its vaults full of pledges consisting of diamonds, watches, jewelry, etc., on which less than the full value is loaned, an association in need of more working capital will be accommodated much more readily by the banks than if all its capital were out on chattel loans. It has been our experience that banks do not care to make loans that cannot be called in promptly. Such is the case with a growing pledge and chattel loan business, as there are always new demands far in excess of the association's ability to meet.

In order to show good faith and as a guarantee of its remedial features, our association thought it no more than fair to limit the possibility of dividends on our stock to 6%, accumulative, and it is so nominated in our by-laws. Thus the temptation for the unscrupulous to obtain control and turn necessity into usury is removed.

Our association owes its success to its directors and stockholders, who represent the most prominent men and women of our city; to the co-operation, endorsement and free advertising of all our papers; and to the support of our municipal departments and civic bodies. The increasing demand upon our re-

sources is evidence of the pressing need of the help we offer and the steady growth of confidence in our policy.

In response to questions, Mr. Auger supplemented the information contained in his paper by stating that the nature of pledge loans prevents the possibility of making exhaustive inquiries into the responsibility of the borrower or the likelihood of redemption, and only the value of the security and evidence of ownership can be considered; that the remedial nature of the pledge business consists in the low rate of interest and the liberal terms upon which loans are made; that the police department had been friendly and helpful to the association and that no money had been lost through stolen goods, as the owners of the stolen property had always paid back the amount of the loan.

Further discussion showed that in the opinion of the members there is no question, in the case of a remedial loan society operating in a small city, of the desirability of combining both the pledge and chattel business in one office, and that there are no administrative difficulties in the way of such combination.

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## AN EXPERIMENT WITH SALARY LOANS.

ARTHUR E. HILL.

Despite our massive savings bank buildings, monuments to the principles of economy, despite preachments, thrift societies and the visible results of laying up substance against the proverbial rainy day, persons who will not or cannot save are without number.

This statement applies with particular force to cities like Chicago, and especially to one class of citizens—men earning moderate salaries. Aside from temperamental conditions that make it impossible for some men to save, that is, without the aid of a wife with a better balanced brain, the only excuses for not saving, perhaps, are a salary too small to meet living expenses or one or more emergencies that exhaust all financial resources.

Society bothers its head but little about the purely improvident. Their own besetting sin claims them at last if they do not reform. For those whose rate of wage is too small to sustain life in a proper manner society is doing much, but until lately it has been a cold world for the man facing an emergency without resources. Continued ill health of the head of the family, sickness, loss of position, stress of debt, sudden demands for lump sums, all these until recent years have been excuses for trusting oneself to the tender mercies of the loan shark.

But now the loan shark is being swept away by a new form of loan business that actually has in it the element of human brotherhood, and that recognizes the responsibility of society for the individual's troubles to a reasonable extent. I refer to the remedial loan movement.

Here I wish to emphasize the main features of our work in Chicago. They are:

1. We not only anticipate the need for a loan, but we also fight the loan shark on behalf of his victim.
2. We enlist the employers on behalf of the distressed employees to such a degree that many employers send their men to us for loans.
3. We make a study of the reasons given for obtaining loans and try to effect a change in conditions.
4. We make only salary loans at present, but are having a bill prepared for the next general assembly that will enable us also to loan on chattel mortgages.

The First State Industrial Wage Loan Society of Chicago is an Illinois corporation with a fully paid-in capital of \$50,000. The stock is owned by members of the Industrial Club of Chicago.

We opened our offices in the Union Bank Building at 25 North Dearborn Street, Chicago, on November 7, 1913. We have 1,600 square feet of office space in the heart of the loop district, where we are easily accessible to the entire city.

The newspapers of Chicago, which almost uniformly have adopted an antagonistic attitude to the loan shark, have been very kind to us, recognizing the semi-philanthropic nature of our work. On our opening day the Chicago Record-Herald, now

the Herald, displayed a picture of our office, directors and staff and printed an editorial commending our work highly.

The stockholders of the society decided to experiment with the salary loan business for two reasons: first, because it was the most abused branch, and second, because it has been held by the loan shark that it is impossible to make salary loans at a lower rate than ten per cent. a month, due to the great risk and actual loss incurred. Our rate of interest is three per cent. a month. No fees of any kind are charged.

We have been greatly encouraged by the co-operation of large employers. Many of the mercantile houses are displaying placards furnished by us in their stores, shops and factories. In some instances heads of concerns have offered to sign notes and guarantee loans for their employees. Through the influence of our directors we have been able to arrange with some large firms to have certain employees assigned to supply us with accurate information by telephone as to the salary, standing, length of service and other data concerning applicants for loans. By this means we have been able to reduce the cost of investigation to a minimum, but in a few cases we still find it necessary to make a personal investigation.

We have experienced little difficulty in obtaining the signatures of the principal or guarantors on wage assignments and have found that most of our clients appreciate the low rate of interest they are paying, the result being that they are unusually prompt in repayment. We have made not more than a dozen calls at homes to make collections since we opened our business.

Chicago has long been known by all the money-lenders as the safest and most liberal city in the United States in which to operate. For that reason the loan companies are probably more numerous there than in any other city. We found it necessary to embark upon a campaign of education among the loan sharks to teach them that we would not permit the hapless folk who come to us for help to continue paying the sharks from 120 to 500 per cent. on loans. A few money lenders refused to accept the tender we made on their victim's behalf and filed against our clients, with the result that we immediately called on the victim's employer, told him the

facts and demanded that he ignore the wage assignment, on which condition we agreed to furnish attorneys to defend any suit which might be brought against him. Cases going to the extremity of a suit are handled by a competent firm of lawyers who have been fighting the loan sharks for years.

On June 1, 1914, we had been in business for six and one-half months. At that time we had made seven hundred and sixty loans, aggregating \$36,807. The following table will show our business at a glance:

Average amount of loan.....	\$ 48.43
Amount of money loaned.....	36,807.00
Amount repaid by borrowers.....	11,831.07
Amount outstanding June 1.....	24,681.63
Operating expenses.....	5,056.06
Money expended for fixtures.....	1,095.52
Loss by operation up to June 1.....	2,249.90

The stockholders are limited to a six per cent. dividend on their stock.

We have not striven to make a record for volume of business. We have scrutinized very closely the reasons for borrowing and the purpose for which the money is to be used must be a legitimate one. This matter is investigated as thoroughly as the borrower himself. When a man seeks a loan from us, in effect we put a hand on his shoulder, call his employer and friends, and go into conference with them all to find out how best to help tide over the period of distress and stringency. We do not want the pound of flesh. We wish to lift the man to his feet, so that he may again stand erect and look every man in the eye. A loan with us is an honest loan or we do not make it.

The good work of our society has just begun. Backed by men of wealth, influence and high standing in the community, recognized as a philanthropic undertaking in many senses of the word, and doing a work that is undeniably good, it undoubtedly will prove its basic principles to be sound, if it has not done so already.

THE CHAIRMAN :—What specific security do you take?

MR. HILL :—We take wage assignments and notes. Our notes are secured by an assignment of wages. In some cases the note is endorsed. We do not require a property equivalent for endorsers, but accept any man with a good record in his employment. Both the principal and the endorser must show a length of service of one year. We loan one month's salary and try to make one-tenth of the amount payable monthly, though we have no general rule. Our average loan is \$48.50. If a borrower fails to make his payment when due, we proceed as follows: If payment is due to-day, and by five o'clock to-night he is not at the office, we send a notice to him. Then if he does not come in five or six days, we file a lien against his wages, first writing or telephoning him of our intention to do so. We take up all loans with the employer in the first place. If he is unfamiliar with the society, we send somebody to explain what our objects are. We have never had a case where the employer refused to permit the loan.

MR. HAM :—What percentage of applications do you refuse?

MR. HILL :—We have an average of 125 applications a week, and out of that number we make about 35 loans. When applicants come into the office, we hand them an information card which they fill out, stating who they are; what their home address is; whom they work for; what their wages are; the amount they wish to borrow, and whether they can furnish an endorser. We then give them two surety slips to be signed by the endorsers at the office. Some applicants take out these papers and never return them. They may be either unwilling or unable to get these endorsers. Sometimes a man will hesitate to make a loan because his employer will be notified. Out of 760 such cases, the surety has paid a part of the loan in only four or five cases. We do not loan to wives of wage earners where there is a housekeeper's income without the signature of the husband. The average time between applying for a loan and obtaining it is from 24 to 48 hours. Our investigation is all done from the office. We have one man investigating five or six days a week, and two investigating three days a week.

MR. TUCKER:—What relations do the endorsers bear to the borrowers? Are they fellow employees or relatives?

MR. HILL:—They need not be fellow employees as long as they comply with our general requirements of one year's service and a monthly salary nearly equal to the amount of the loan.

MR. PHILLIPS:—You said your losses were \$2,024?

MR. HILL:—Yes, losses on operation. We are paying our expenses at the present time. Out of \$36,000 loaned, losses from bad accounts will not exceed \$45.

MR. RUBIN:—Would you loan to a man who could not provide endorsers?

MR. HILL:—That would be against our general rules, but it depends upon circumstances. If a man has been several years in one position, we would make him a loan without an endorser. We have 100 to 150 such loans. Many of them are made to government employees, mostly letter carriers, who have been in their positions, on an average, ten years or longer and are safe risks.

MR. FERGUSON:—Do you loan to a man out of employment?

MR. HILL:—You cannot take an assignment of wages when a man is out of employment. We have made some loans which were guaranteed by one of our directors or by some other large employer.

MR. GLIDDEN:—Does the fact that many of your loans are made to government employees indicate what the trend of your society is going to be in the future?

MR. HILL:—The reason so many of our applicants are government employees is because a government inspector ordered a loan society operating in the Post Office to discontinue at about the time when our society began operations. As a result, many employees were called upon to pay their loans and so came to us.

When we started, we printed a large placard announcing the opening of a remedial loan society in Chicago, and our willingness to loan money at the legal rates of interest. Our president

made an address at the Chamber of Commerce, where many of the larger employers congregate, and asked them to post the placards in their establishments. Nearly all did so.

MR. FERGUSON:—When a man makes an application to you for a loan of considerable size, do you try to find out why he wants so much money?

MR. HILL:—Yes. We go into the purpose of the loan. We say, “Mr. Smith, what do you want to do with this?” “I want to pay \$30 rent; I owe a \$10 milk bill; or I owe Dr. So-and So \$50.” Then the application is turned over to the investigator who calls up the doctor, the milkman and the landlord and has them verify the statement. If we find the statement was incorrect, we refuse to make the loan. We do not loan to single men, unless they are supporting relatives.

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#### THE VALUE OF MEMBERSHIP IN THE NATIONAL FEDERATION.

HUGH CAVANAUGH, Cincinnati, O.

For the benefit of those who have joined the remedial loan movement in the past five years, and for the information of the friends of the movement generally who may not be familiar with the history of the National Federation, a brief reference to it may interest the delegates.

In response to an invitation issued by Mr. Finley of the Chattel Loan Company of Baltimore, the representatives of a dozen remedial loan societies met in the city of Buffalo, N. Y., June 10th, 1909, in connection with the Conference of Charities and Correction. As I recall the proceedings of that interesting and memorable convention, I am reminded that throughout the several sessions the proceedings were entirely devoid of even a suggestion of selfishness.

That those who read the proceedings of today's meeting may be impressed with the liberal spirit of the men in attendance at the Buffalo meeting, I take the privilege of writing into this

paper a brief extract from the report of the Committee on Organization: "The Representatives of the Remedial Loan Associations of the country assembled in Buffalo, New York, in attendance at the National Conference of Charities and Correction, desirous of promoting the work in which we are engaged to the end that similar associations may be organized throughout the country wherever the need of such exists, and believing that this work can be best accomplished through intelligent, organized effort, therefore recommend that we effect an organization, national in scope, as set forth in the following: The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons in the work and who contemplate organizing remedial societies; giving such information and advice concerning legislation, finance, problems of administration and general information necessary for organization and management. The organization shall be composed of representatives of the remedial loan societies and such others as are known to be in complete sympathy with the movement to compel recognition of the laws regulating chattel, salary and pawning loans and protecting borrowers from extortion."

The purpose of the organization as herein set forth has been strictly adhered to. The same motive that characterized our first meeting has been our watchword, "To encourage the formation of local organizations and compel recognition of the laws regulating the business." That we have been eminently successful in our purpose, the growth and influence of the remedial loan movement bear testimony.

The Federation is the center of influence in the remedial loan movement. To its credit is due the institution of many of the remedial societies. It is in a great measure responsible for much of the legislation regulating the loan business in the past few years, and better still, its influence has been felt in the enforcement of the laws even to the extent of jail sentences.

Herein is the striking contrast between the loan business of the present day and that of five years ago. At the Buffalo meeting we held that laws regulating the chattel loan business were inadequate to protect borrowers from the rates and exactions of

the selfish money lender. This was due largely to the absence of any responsible agency whose business it was to assist in the enforcement of the laws.

In the absence of a remedial loan company, the loan shark is supreme. In such a case the borrower has no alternative but to submit to his terms. In many cities a complete and beneficial change has taken place, due to the influence of this Federation and its affiliated societies.

The National Federation is a bureau of information. Through this agency there has been collected complete and reliable information concerning the loan business that has been of great assistance to the organizers of remedial associations instituted in recent years. If in search of information, write the National Federation and you will obtain complete statistics concerning the movement. You will learn the number of societies, the capital invested in each, the number of loans made during the year, the cost to the borrower and the dividends to those who furnish the money. In short, any and all information appertaining to the business will be furnished. Besides this, the Federation provides a formula, the proper application of which has been known to convert the loan shark into a legal money lender or put him out of commission.

The success which has attended this organization has left nothing to speculation. It has a certified record. Membership herein is a certificate of character. It carries with it the assurance of fair and honorable treatment to patrons and should prove a valuable asset to any society.

At the close of Mr. Cavanaugh's paper the following resolution was offered by Mr. W. N. Finley:

Resolved, that wherever feasible, the affiliated organizations advertise publicly upon their premises the fact of their membership in the Federation, noting it upon their letterheads and, if it is deemed expedient, incorporating it in their advertising.

After some discussion, the resolution was adopted.

Second Session, July 10th, 1914, 10:00 A. M.

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### CHRONIC BORROWERS.

J. R. FERGUSON, New York, N. Y.

On this topic hinges in my opinion the question of whether or not remedial loan work is of unmitigated benefit.

Make anything easy and many are at once ready to try it. The borrowing habit is one readily acquired as all experienced loan men know. So that it is no light task for remedial loan society managers to guard against making chronic borrowers out of some of the applicants. It is at this point that the vast difference between a personal and impersonal transaction comes in. By the former method, we inquire carefully into the necessity for borrowing while the latter method simply involves the ability of the prospective borrower to repay. If it is a good thing for a borrower to have a loan, he should get it as reasonably as possible. If it is not a good thing for him to have a loan, he should not get it at any rate, low or high.

This is the one consoling element of our limited capital, which has allowed me to follow the dictates of my own conscience without fear of complications. But it is not an easy task. Frequently the married children of some of our former borrowers apply to us for loans to supply some trivial or supposed need. Such cases we refuse and try to instill a little lesson in thrift, which is sorely needed, as there is nothing that will undermine thrift so surely as improvident borrowing.

At the same time, in New York City where some 500,000 wage earners receive less than the minimum on which it has been estimated to be possible to support a family in decency, very many find it impossible to save. When contingencies arise remedial loans are needed and the fact that a man has surmounted one contingency will not guard him ever after. It may be quite necessary for him to have several loans. We always encourage getting out of debt by suggesting the taking

out of a smaller loan than the previous one, in the event of persons needing a second loan soon after the closing of the first.

We come across many seeming cases of chronic borrowing which really are not. For instance, we inquired into the case of a school teacher who came to us year after year for a loan and found that he had several children whom he was trying to send through college. Just as one mortgage was paid off, along came another son ready to be entered in college. They were a bright lot of children and their elementary school work showed them to be capable. The last three finished with the aid of the older ones, and last summer these children, now all through their studies and nicely placed, sent their father and mother to Europe for a treat. While getting ready for the trip they came in to tell us about it and again thank us for the benefit they had derived from these loans.

But the average chronic borrower is certainly not a desirable client. Invariably he takes all kinds of chances, borrows from all his friends as well as from loan associations, buys his furniture on the instalment plan and often obtains jewelry in the same way. It is only a question of time before such a one is caught.

Last year a fine appearing young man applied for a loan. He had apparently good reasons for borrowing which were delivered with such good effect that it would have seemed vulgar and unfeeling to go into minute details. He held a responsible position as clerk in an important city department, had good security, a refined home, and a wife who seemed of the right sort. We granted the loan but instead of payments received more excuses. Finally we went to see his wife who tearfully acknowledged that he failed to respond to her entreaties and spent his salary months before he earned it. Finally he went into bankruptcy, caused simply by his recklessness. There had been no trouble or unusual expenses in his family. This is not an unusual case.

THE CHAIRMAN:—The accusation has been made, not once but many times, that the low rates at which we loan tend to induce people to borrow when they do not actually need the money. Is this the experience of our managers?

MR. DAVIS:—My experience has been that chronic borrowers are not always chronic because they desire to be, but because their wages are too low. Take for example a man with a salary of \$15 a week who has four or five children. As long as that man retains his health and his employment it is unnecessary for him to borrow, but as soon as sickness appears, he needs someone to start him off again. If a man has to come back, we should not look upon him as a chronic borrower.

MR. TAYLOR:—We have been in business only a short time, but we know that the high rate men try to make chronic borrowers. Until we eliminate the loan sharks, I believe we have to take care of the chronic borrowers.

MR. BURNHAM:—My experience in Worcester has been that the high rate men try to induce the chronic borrower to stay on their books. I think the remedial loan society's plan, which insists that borrowers pay off a part of their principal each month, has a tendency to pull its clients out of debt. If a man comes back again, he is accommodated, but we try to give him some good advice, although I do not think it is wanted very much. If we try to discipline them too much, they go to the loan sharks and pay them three times as much as they pay us.

MR. COFFEY:—40% of our business is renewals.

MR. RYAN:—Last year we loaned \$78,729 on new loans and \$175,166 on renewals. We loaned \$7 of new business to \$17 of old business.

MR. KIRKPATRICK:—70% of our business is renewals.

MR. PHILLIPS:—We are closing up our second loans and are having third loans come in. The directors are interested to know how we are helping these borrowers. We were organized with the idea of helping them to get out of debt, and now they are continuously borrowing. How long should they be allowed to continue this?

MR. DAVIS:—This question was brought up by my directors. I went into it very carefully and looked up the renewals, their income and size of their families. They are like a man who has

an ailment and goes to a physician. He continues to go to the physician until he is cured. The physician will not refuse to treat the man simply because he makes more than one trip. When a man borrows money on his household goods, if he has a family and needs the money he is not anxious to pay even the rates charged by the remedial loan societies, but he returns when he is in trouble again. He should be helped so long as he will keep up his payments promptly.

MR. BROWN:—It seems to me we have not come to the correct definition of the term “chronic borrower.” In my estimation there are two classes of so-called chronic borrowers. One is the “down and outer,” or the man of insufficient moral fibre to see that debt is a menace to his character. He is simply living from hand to mouth and is willing to borrow wherever and whenever he can. That sort of man, in my estimation, does not deserve any support from the remedial loan associations. There is another type of man who borrows money, pays it, and the next day needs it again. That sort of man might be called a chronic borrower, but in my estimation that man is, as Mr. Davis states, financially sick. He wants the money and has a legitimate use for it. That kind of man, although he may borrow several times, should be differentiated from a chronic borrower of the class previously mentioned.

MR. FERGUSON:—I would call a chronic borrower a man who gets another loan just as soon as one is closed.

MR. KIRKPATRICK:—A man who makes fifteen loans from one company in ten years is a chronic borrower, regardless of the purpose for which he gets the money.

MR. BROWN:—A man who is needlessly in the debt of some loan company all the time.

MR. RYAN:—In Detroit we have made as many as ten or twelve loans to one man in the course of our eight years in business, but we do not make such loans unless we consider the case to be meritorious. One man who has dealt with us for about seven years said: “I am leaving town and I want to show you what you have done for me. I got \$25 from you and paid it down on

a lot. I afterwards built a shack by borrowing \$50 from you and sold it. Then I borrowed some more money and bought another place. I sold that, and borrowing \$100 from you, I bought another place." When he got through borrowing from us he sold out and was worth \$5,000.

MR. HAM :—I know that one of the questions raised by people who are interested in forming these societies is what effect they have upon people who have been chronic borrowers from the loan sharks—whether there is anything in the general practice of remedial loan societies that tends to get people out of debt. What attempt do these societies make to get people off their books? I know that one or two societies require that a second loan must not be more than 75% of the first loan, but this seems to put a hardship upon certain borrowers. The problem cannot be solved by any hard and fast rule of that sort.

MR. DAVIS :—We have such a rule and enforce it very strictly. A man who pays off a loan of \$100 has to wait one week before he can get a new loan for the same amount. If he renews it inside of one week I will not loan him more than \$75. The object is to discourage a man from continually renewing his loan. We are trying to get him off the books.

MR. CAVANAUGH :—Many of the people with whom I am dealing need the money as much today as they did a year ago. Every case must be treated on its merits.

MR. DAVIS :—If a man borrows \$100, and later after he has paid \$10 per month with interest for three or four months, finds that it is too much for him and he is behind in his payments, how many societies would close that loan and open a new loan for \$70, enabling the man to make smaller payments and bring his account up to date?

THE CHAIRMAN :—We all do that.

## CRITICISMS OF REMEDIAL LOAN SOCIETIES AND HOW FAR THEY ARE JUSTIFIED.

W. F. DAVIS, Newark, N. J.

While it has been my experience that very little criticism has been made of remedial loan societies by loan sharks or others, still some objections have been raised.

It is said in the first place that remedial loan societies refuse many applicants; that checked by their officers, who do not look pleasant at losses, and made cautious by their low rates of interest that will not admit many risks, they look with favor only upon gilt edged loans. Our critics claim that they can live and thrive upon the applicants we refuse. They say we refuse newcomers, single people, the unemployed, applicants who have no family connections and others who pay slowly; that we will not lend on goods being bought on credit; on single articles, such as a piano, where there are other chattels; on office fixtures, machinery, etc., and that we thus bar out many deserving people who are driven back to them as the only port in time of storm. In answer to this criticism, I admit that we do discriminate. If we loaned to everybody who applied to us, we would soon be borrowing carfare ourselves.

Our critics contend that we do not show a friendly spirit to our patrons; that we are severe and distant. They assert that their borrowers often come back to them because they feel more at home with them. They maintain that we make our applicants feel we are doing them a favor and consider them objects of charity. In proof of this statement, they claim that the high rate companies of Newark continued doing business until the Egan Bill of 1914 was passed. Perhaps we do talk down to our people and hold them at arm's length. Without realizing it, we may make applicants feel uneasy instead of at home. Instead of putting them at their ease and seeing them at their best, we often give them a bad quarter of an hour and see them when "fussed." We ought to remember our tendencies and try to counteract them.

Our critics allege that our low rates attract a distinct class of borrowers; that the people who come to them must borrow

but those who come to us could avoid doing so ; that because our business is supported by respectable citizens, borrowing of us is made a respectable vice. We thus stand charged with leading good people into temptation and helping them to cultivate a bad habit. It is true that many self-respecting and saving people who would not patronize the loan sharks now borrow from us. But there is nothing discreditable in this. There is no reason why the clean, wholesome, saving, self-respecting people should not be helped if they need it. It may be true that cheap money induces some people to borrow who could do without a loan, but I think it is a general rule among us to discourage such borrowing and that to apply is not always to receive. Personally, I have no fear of the evil results of cheap money. I should like to see money so cheap that people who now buy furniture, clothing, pianos, etc., on credit could profitably borrow from us and pay cash.

Our critics further contend that while we may lend money cheaply we do not always have it to lend; that people go a distance sometimes to take advantage of our advertised rates or get an hour's leave from the shop or store only to find that there is no money to loan. While we are compelled in some cases to refuse applicants through lack of funds, no one who is really deserving and needs money for actual necessities ever leaves our office without being supplied.

Our critics affirm that we make no small loans to poor people on cheap goods; that we lend money for luxuries but not for necessities; that the man who wants to go on a vacation or pay club dues gets our money, but those who need food and fuel, raiment or rent, money for medicines or doctors, don't get it from us and have to go to them. So far as my experience has gone, the first part of this criticism is not entirely amiss. Some years ago we would not make a loan under \$25. In our efforts to become an efficient business concern, we perhaps lost sight temporarily of the fact that we were in this field not to be ministered unto but to minister, and that an encouraged and relieved family was even better than a clean balance sheet or a brief overdue list. I am happy to say we have dispensed with this rule.

The loan sharks assert that people who come to borrow money on furniture want quick action; that remedial loan societies are in no hurry and show a provoking indifference that adds to their clients' distress. They claim that they themselves pay the money required with promptness and dispatch. This may also be a case of the shoe fitting. We must always keep it in mind that a good deed quickly done is doubly done. People want what they want when they want it, and they have a commercial right to expect the same prompt attention in doing business with us that they would receive from any business house.

It has been said that we are too severe with delinquents, who are poor people living from hand to mouth, and that we even resort to foreclosure. There is no foundation for this criticism. I am sure we are all trying to make it as easy as possible for our borrowers to pay off their loans.

Our critics state that some men buy stock in a remedial loan company in order to appear philanthropic, and others do so because the yield in interest is large and the principal secure. Far from being subject to any criticism, the men of large business interests who support the society of which I am the manager, deserve great credit for devoting so much of their valuable time to the free service of our work.

A criticism which was made this year in Trenton before a legislative committee is similar to the first criticism I have quoted—namely, that remedial loan societies are doing a small banking business, whereas the high rate companies help the poor man to purchase the necessities of life. The answer to this criticism is that the loan sharks are not desirous of helping the poor man, but prefer to make loans of from five to twenty dollars because the borrower of such amounts is not so apt to kick at the usurious rates charged. He is likely to have little knowledge of the laws which govern the loan business and hence will pay whatever they demand. On the other hand, the man who borrows \$100 or more very seldom goes to the loan sharks, as he knows the high rates he will be compelled to pay. It is not the desire to help the poor but rather the desire for large profits that prompts the loan shark to deal with poor and ignorant people.

MR. CAVANAUGH :—These criticisms are entirely new to me. The hardest thing that has been said about the company that I represent is that it is a charitable association. In fact, all criticisms have now ceased. Some three years ago, in conversation with the proprietor of five of the high-rate chattel loan companies existing at that time in Cincinnati, the proprietor said to me,—“Cavanaugh, you have ruined the business in Cincinnati.” A cousin of this man said, “The good old days of the loan business have gone forever, and you are responsible for it.” It was a criticism, but it was also a compliment.

MR. PHILLIPS :—I am going to advocate the making of weekly or semi-monthly payments on small loans from \$30 to \$40. My experience has been that the man who gets \$25 and pays \$2.50 a month simply takes it out of his fourth week's pay. He does not set aside a part every week and then pay it in one sum. My idea is to accept weekly payments on small loans with interest at two per cent. per month with the object of making him save weekly on his earnings and get him out of debt. If he has to borrow again, he has become used to saving systematically from his weekly earnings, and does not take it out of his envelope at one time.

MR. CAVANAUGH :—We have adopted the weekly pay system, and the majority of our loans are repayable in weekly payments, especially if the wage is paid weekly. In the case of government employees, railroadmen, or school teachers, who are paid monthly, we receive monthly payments. But you will find it to your advantage to establish a weekly payment plan. It is easier for a family to pay one dollar a week than it is to wait until the end of the month and pay four dollars, because that invariably comes out of the last week's wages and cripples the man. We find that borrowers prefer paying weekly or semi-monthly, rather than monthly. I believe that no matter what the amount of the monthly payment is, it is not put away weekly but taken out of the last week's salary. We very often receive checks in payment, which come back marked “Insufficient funds,” showing how closely the man does business, even though he is capable of borrowing \$200. He contrives to arrange his bank account to meet that check at the end of the month, nothing more. When we

make a loan to a man with a salary of \$12 a week and a family, it is usually a charity loan. We have made special arrangements to aid such cases. At the present time, a man applying for a loan of \$20 is only charged twenty-five cents for drawing his mortgage and making the appraisement, and pays interest at one per cent. per month. If he pays the loan in one month, there is a twenty cent interest charge, or forty-five cents for \$20 for one month.

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## COLLECTIONS AND FORECLOSURES.

RALPH C. GLIDDEN, Minneapolis, Minn.

The chattel loaning business that has developed in the past few years under the auspices of remedial loan societies identified with this Federation has necessarily prompted a scheme for collecting delinquent loans that is peculiar to its own needs and which meets the requirements of the individual case. The collection department is an important division of the operation of the business, and by its methods the character of the company may easily be determined.

The best time for the lender to judge his credits is when the application is taken, for then important disclosures are made by the borrower. The object of the loan, the size of the borrower's family, his income and his financial obligations should be ascertained. All these facts need not be written statements but are disclosed by tactful questioning. This information, together with the appraiser's report of the condition of the home and especially of the wife and her attitude toward the loan, help the manager to decide upon the desirability of the case.

Delinquent borrowers may perhaps be divided into three types; first, the one who will respond with a payment upon receipt of a statement of his overdue account; second, the one who will respond to a second or third notice regarding the instalments in default; and the third who requires personal attention. The latter class is small as compared with the total number of borrowers, and is usually composed of those who

have fallen into a state of indifference from bad management, and not from wilful intent to avoid payment of the account.

There are times when loans are granted to those who take advantage of the lender. When such loans are discovered, they should be dealt with in such a manner that the borrower will realize that such treatment will not be tolerated. On the other hand, there are those who borrow with the full intention of repaying principal and interest, but very often contract to pay larger instalments than their income will allow, so that when the loan is paid, another must be made to meet debts that should have been paid during the first loan period. The unscrupulous lender well knows that if he can arrange his loans so that they will be repaid in large sums, there will be little danger of his losing a desirable borrower, for as soon as one loan is paid another must be made. If, on the other hand, the payments are distributed over a reasonably long period, the borrower has an opportunity to meet his payments and at the same time pay his current expenses.

Too much thought cannot be expended on cases that are good in the main but delinquent in fact, for such people must suffer hardship unless the person in charge of collections is able to analyze their condition perfectly and suggest equitable means of collecting the amount due without putting the borrower to unnecessary expense in paying the sum demanded. Any injustice or mistreatment will surely provoke criticism in the mind of the borrower, and criticism of any kind should be avoided. There is always much discrediting newspaper talk of the loaning business in general, and no such opportunity should be allowed a dissatisfied borrower. Should a misunderstanding arise between the borrower and the lender, every effort should be made to have it personally adjusted so that there will be no feeling in the mind of the borrower that he has not been properly treated. A few dissatisfied customers of a chattel loaning company can do irreparable harm and will offset columns of advertising for a long time. The attitude of the office towards the borrower should be that of the banker towards his client. Establish confidence and create friendly feelings, and with reasonable precautions a larger number of borrowers will be served well and fewer occasions for forcible collections will develop.

MR. STEVENS:—Our territory in New York is so large that it is physically impossible for us to send a man to see all delinquent borrowers, and we have to depend upon our form notices and letters. First I send a form which notifies a man that payment is due and that he must attend to it at once. I allow a period of six days to elapse, and if at the end of that time no payment has been made, I send a form letter which is filled in by the stenographer. The first letter is printed. The others are mimeographed. The borrower is notified that it is contrary to our rules to allow payments to lapse. Then there are two or three other letters which I use in succession to put the matter up to the borrower from different points of view. When I have exhausted this method and no results are gained, I send an investigator to see the borrower. I find that it is necessary in the first place to make sure that he has not moved, because when a person moves in New York it is difficult to trace him. The same investigator who called originally explains to the delinquent that as the account is in arrears and he has paid no attention to our letters, he must, if he has any good reason for not making payment, explain it at the office. When he comes to see me, I am able to find out what the conditions are and suit my action accordingly.

That, in brief, is my general plan. I have worked this out to suit conditions in New York City with a wide territory and a population of over 5,000,000. We have been in operation two years and four months and have in that time seized only one lot of furniture in actual use. If I can get delinquents to come to the office and see me personally, I have little trouble in adjusting the matter satisfactorily.

MR. GLIDDEN:—I find that when we call on a man once, the practice must be continued until the loan is paid.

MR. STEVENS:—Isn't that due to the fact that your man goes to the house as a collector? That is, he gives the idea that he comes to collect payments instead of for the purpose of urging him to come to the office and make some arrangement? It is my policy to avoid the use of attorneys, no matter how much trouble it puts us to.

MR. POND:—I use lawyer's letters a great deal. When cases reach the stage where it is necessary for an attorney to come in, we send a form letter which directs the person to call and consult with us in five days. That letter impresses them with the necessity of immediate attention, and they come in.

THE CHAIRMAN:—I think the question we would like to have clearly answered is this: What is the attitude of the remedial loan societies towards delinquent customers? Do they sell the security to enforce the legal contract, or is that the last thing which they do?

MR. BIGELOW:—Patience, patience, and then again patience. Each case should have individual attention. If an extension is asked and the request is reasonable, it should be granted; if not, find out what the conditions are, but do not jump at the conclusion that it is not a worthy case.

THE CHAIRMAN:—Each case is to be handled on its own individual merits. The keynote of our work is sympathetic patience, provided we are convinced that the person is going straight.

It was voted that the societies affiliated with the Federation make an effort to furnish each other, whenever necessary, with information in regard to runaways.

It was voted to publish the statistical folder as heretofore.

The following resolution was adopted by the Convention:

Resolved, That this Federation extend to the San Francisco Remedial Loan Association, the Mayor and the Chamber of Commerce of San Francisco, and the President of the Panama Pacific Exposition, its sincere appreciation of the cordial invitation to the Federation to hold its convention in San Francisco in 1915, and be it further

Resolved, That this Federation express its regret that geographical considerations render impossible the acceptance of the invitation.

Third Session, July 10th, 1914, 2:30 P. M.

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## FACTORS INVOLVED IN ACCEPTING APPLICATIONS FOR CHATTEL LOANS.

CHARLES H. BROWN, JR., Buffalo, N. Y.

The security accepted for loans made by our remedial societies is practically limited to two sorts. Either an article of value is pledged by the borrower and placed in the possession of the lender, or a chattel mortgage is given on personal property which remains in the possession of the borrower.

In the first case the lender is perfectly secured, if his appraisal be correct and the borrower be the legitimate owner of the security. In the second case where money is loaned upon a mortgage, there are many important factors to be considered before the loan can safely be made. It is impossible to fix a rule governing the acceptance of an application for a loan on chattel mortgage. Each case has its special aspects, its special circumstances. It may be, however, that an analysis of the various factors involved in typical cases, will enable us to avoid some pitfalls, and apply a fairly methodical scrutiny to all applications.

Let us first consider the application proper. It should contain certain fundamental information in all cases, viz.—the purpose and the amount of the loan, the name and address of the borrower, the employer's name, and some means of identification. In most cases it is advisable, and in some it is essential, that additional details be secured, viz.—wages, size of family, names and addresses of relatives, age and nationality of borrower, etc. Previous residences and frequency of moving give a valuable index as to stability of character. The more minute the questioning, the greater the likelihood of discovering any undesirable details, if any such exist. An especially important question is that concerning previous loans, for it enables the manager to classify applicants as to their borrowing propensities, which are a most important factor to be considered in the final analysis.

After an application is received, the first thing to be done is to examine it carefully to determine whether or not it is worthy of further consideration. Much time may be saved at the outset by this means.

First, the need of the loan should appear to be sufficient. Second, the earning capacity of the applicant should be such that the payment of the loan be not too great a burden. Third, the applicant's occupation and nationality should be taken into consideration, for on these things depend in some degree the likelihood of prompt repayments. Fourth, the general impression made by the applicant should be noted on the application in writing.

The fifth point to be considered is the applicant's title to the property which he proposes to mortgage. A careful search of the public records will secure this information in most states. The search, which should be extended over at least two years, will disclose any previous loan. Such a loan may be found to have been paid in full, but if the applicant has stated that he never had a loan before, a valuable index to his character is secured, and in these cases the application should usually be declined forthwith. It is a safe rule to follow that when an applicant deceives in such a matter he is not to be trusted.

If an application has successfully run the gauntlet of preliminary examination and search, it may be turned over to the inspector. The household furniture must be carefully appraised, and the condition of the home must be accurately judged and reported. A conservative value must be placed upon the property varying with the standards of the community and the conditions of the auction market. The appraiser must also consider the likelihood of deterioration and depreciation in value. This is chiefly valuable in the rare case of foreclosure and sale.

Of even greater importance than the actual appraisal of the furniture is the inspector's report on general home conditions. He must consider its cleanliness, and other evidences of careful housekeeping. He must report as to its relation to the family income. This is important in determining whether the applicant is prudent, or is living beyond his means—a fruitful cause of borrowing. Tactful conversation with the wife ought to

satisfy the inspector as to the need of the loan—thus providing a check on the reasons assigned in the application. Experience teaches us that tact on the part of the inspector may bring out startling discrepancies between facts alleged in the application and the actual existing facts. A manager cannot be too insistent that this part of the work be performed with exceeding care, and with all the intelligence and common sense available.

The application is finally received by the manager and contains all the information on which to pass judgment. That judgment must be formed after mature deliberation. He must be certain beyond any doubt that the applicant is the actual owner of the property, that he is able to repay and that he is properly identified. I believe that it is fair to lay down the proposition that in an institution of this kind the first duty of the manager is to his capital—the property entrusted to his care by the stock-holders of the corporation. In special cases other considerations may take precedence, but after all, as a business proposition and as a means of great good to many people, the capital must be conserved at all hazards. Neglect of this may bring disaster, and disaster of this kind means a restriction or abolition of the power of the society for good in the community. Money is our commodity, our stock in trade, and the money must be securely invested to the fullest extent that the exigencies of the chattel mortgage business will allow. Of course the foregoing does not apply to special funds set aside for charitable purposes.

The immediate corollary of this proposition merits the closest attention. It is the question "When will the money be paid back?" Will it be paid promptly, in strict accordance with the terms of the mortgage, or will it be necessary to make special exertion to collect it? The solution of this vexing question depends on the manager's judgment in each individual case. He must keep in mind some of the most important causes of delinquency, and if they are found present the application should not be accepted.

The most common cause of delinquency among otherwise honest borrowers is unemployment, and it is necessary that the manager take into consideration the likelihood of the applicant's losing his job. Another source of delinquency is domestic difficulties.

The idea of selling the household goods of a borrower, however delinquent he may become, is distasteful to us all. It should be resorted to only in emergencies. If it seems in any way probable that it will become necessary, the manager should feel himself bound to decline the application. While in rare cases foreclosure is the only recourse, it should never be looked upon as one of the ways in which a loan under consideration might be collected.

The second factor involved is the purpose for which the loan is desired. It is in this particular that the remedial society has its special mission. How much of the suffering and pain, the disgrace and crime attendant upon the loan shark evil is traceable to needless loans can only be guessed. That it is one of the most important causes of poverty and crime cannot be denied. The ease with which a loan on household furniture or salary or what not, can be secured from the loan shark has caused more heartaches than we care to imagine. Further, the granting of a loan for insufficient reasons may start a family on the downward path to improvidence and deterioration of moral fibre. In fact it is likely to do so in most cases. It must rest with the manager to decide in each individual case whether there is real need for the loan. If no good cause can be assigned, the manager should decline the loan forthwith. No matter how attractive the security, how certain the ownership, how apparent the ability and intention to repay, the manager should insist in all cases that the applicant state plainly why he wishes to borrow, and the reason should be so proper that the manager may feel that the loan will be a benefit to the borrower. This sort of thing is hard. Many applications are so tempting in other respects that a manager may feel an inclination to increase his loan balance, but it will always be at the expense of the borrower's strength of character.

It is inconceivable that mistakes in judgment should not occur, but if a manager will always scrutinize an application with these considerations in mind, he will in the long run properly protect his capital and at the same time carry on a work of such value to his community that his efforts will meet with the approval that they justly deserve.

MR. STEVENS:—I find that most of my mistakes have been caused by lack of information. How to get that information seems to me to be a psychological problem. Our system consists in taking a borrower into a private office and asking him to make a statement of his situation, which is supposed to correspond to the statement of assets and liabilities which the business man makes to his banker. It is our aim to ask these questions in an off-hand and inoffensive manner, yet it is usually difficult to get an honest statement of facts, owing to the fact that the borrower resents questions in regard to his personal affairs. The problem is to make the borrower willing to give you the information which you require. It seems to me that the people with whom we are dealing are entitled to a statement of our reason for wanting the information in order that they may feel that what we are asking is perfectly reasonable and legitimate. To get the best results, I should like to have a printed statement, as concise as possible, to hand to every applicant which will give him some idea of what is required of him and what we do. Then he will not be in the dark and will be ready to give us the information we want.

MR. POND:—Inquiry into chattel loans should be made along lines, first, of identification; second, ownership of property; third, ability to pay. Many people become restive while being questioned as to their domestic affairs. They think it is none of your business and that you are prying into their affairs in an unwarranted manner. Our procedure in such cases is simply to say: "This is the information we must have before we can let you have a loan. If you want a loan, it is better for you to tell us the facts than it is for us to spend a week seeking this information." Almost invariably that settles the matter. We depend a great deal upon the opinion of our inspectors who have been in business many years and have developed what might be termed a sixth sense. When they walk into a home and find conditions which obtain among borrowers who are slow in paying, they unconsciously form a prejudice and report accordingly. I consider that the reports from a confidential inspector are more important than the information which is obtained in the office.

We have a booklet which we give to each person making application for a loan. This booklet sets forth the name of the borrower, the amount of money he has borrowed, how much he has been charged, when his payment is due, the rules of the office and what we expect of him. He thus has full knowledge of every condition surrounding the loan.

One of the most important features of our work is the identification and the ability to trace people in case they move without notice. That is the point we are putting great stress upon.

Some people are extravagant in borrowing but we feel that if the remedial loan company is to dominate the small loan field in our cities, it must be able to make every good loan that the usurious money lender would make. We cannot be picking our risks, taking only the cream of the business, and expect to reap the full measure of our efficiency in the community. If we do that, the usurer will continue to thrive.

MR. PHILLIPS:—I think that a pamphlet explaining the reason for asking so many questions, our method of business, who is conducting it, etc., given to customers either when they apply or when they leave, making them feel that they are dealing with people who are really interested in them, would be of vast help. But I do not believe in a too strenuous insistence upon the purpose of the loan. I have found that a small proportion of people object to giving that information. In many cases they are of the better class. If a man wants money for something which is foolish, he doesn't want to tell you. Women come in who are in a delicate condition and must have the money, but they don't want to tell you what it is for. Should we say, "You cannot have it unless you tell me what you want it for," if other conditions are right? I think we ought not to refuse to make a loan to people just because they will not tell why they want the money. The assistant superintendent of one of our large banks came in and wanted money, but didn't feel free to tell me what it was for. He was a man of good character, had been with the concern a number of years and was getting \$75 a week. He would not go into more details, but that did not seem to us to be a reason for refusing the loan.

MR. HILL:—We have a long formal application, with probably twenty-five questions on it. Many of our customers object to it, saying that there is too much red tape, and that they can go to the loan shark, answer five or six questions and then go out. It takes fifteen or twenty minutes for us to make out an application.

MR. BURNHAM:—We have about twelve questions that we ask of our applicants, depending entirely on conditions which often obviate the necessity of asking the applicants the full number of questions. In many cases we simply fill out the face of the application with the name and the amount and the inspector will find out the balance of the information at the home. I think I have an advantage over some of the other members, because I make my own investigations. No report will give you such an insight into an applicant's character as a personal investigation of the home conditions.

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#### FILING VERSUS RECORDING MORTGAGES.

J. H. RUBIN, Milwaukee, Wis.

If I were to attempt to discover the origin of the mortgage, I should have to trace the whole course of human civilization; for the giving over of property, possession of which shall become absolute upon failure to pay a stipulated debt or to perform a set obligation, is almost as old as mankind. Among the Romans of the later empire the conception of the mortgage in its two forms was precisely the same as that which we find later in the common law mortgage and the mortgage in equity. Since the days of the first mortgage in equity, nothing of importance has been added to the fundamental idea of the mortgage. With the single exception of Louisiana, the states of the Union follow either the common law mortgage or the mortgage in equity. Louisiana follows the old French code of Napoleon. Our modern statutes merely attempt to formulate and clarify conceptions long in existence. The only improvement which remains to be made is in the manner of systematically keeping

a record of the mortgages drawn up. According to the old method, which still is used in 28 of our states, the mortgage must be recorded, that is, a copy of the mortgage must be entered in the book of the public recorder; then, when the mortgage has been copied, it is returned to the mortgagee while the copy in the public book of record becomes a safeguard to all other parties wishing to enter into further business or legal transactions.

According to the newer method, which is employed in 11 states, the original document or a copy thereof is indexed and filed. Third parties have access to the public files and may consult the original document or the bona fide copy. In three of our states mortgages may be either recorded or filed, the method in use depending upon the preference of the county recorder. In Texas the mortgage must be filed, and an abstract of it is then placed on record. In Arizona only an abstract of the mortgage must be recorded. In two states—Tennessee and North Carolina—the mortgages must be registered according to a formula set down by the statutes. In North Carolina, however, if anyone wishes to employ a form different from that regularly in use, he may do so, provided he pay a higher fee than the stipulated thirty cents.

As I have said, the recording system is employed exclusively in 28 states, and partially in three states—making a total of 31 states in which recording is in use. Since such a large majority of our states employ this system, it doubtless must have points of superiority to the other system. In the first place, the reason for the extensive use of the recording method is due to long usage. Copying into the public books has been the only way of insuring the interests of the parties concerned in any legal transaction for so long a time, that it is but natural that this form of accounting should become an integral part of the legal system of modern states. As a whole, society hates change, and so the mere fact that recording had been employed for so many years was sufficient reason for incorporating that system in present-day statutes. Besides, we must remember that the bookkeeping methods of a hundred years ago, or of even twenty-five years ago, for that matter, were not as efficient

as those of to-day. In fact, the success of the filing system is due largely to the excellence of modern bookkeeping methods.

Recording is practised to the exclusion of other systems in the following states: Alabama, Arkansas, California, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, South Carolina, Vermont, Virginia, and West Virginia. In the District of Columbia and in West Virginia chattel mortgages, strictly speaking, are not valid; but chattel deeds of trust, the popular substitute for chattel mortgages, may be employed in practically the same way. A glance at the list of states I have just read will substantiate what I have said—that recording is still employed to a great extent on account of its being so long in use. Most of the older states, with the notable exception of New York, require recording. The length of time it has been in use however, is not the only recommendation of the recording system. It affords the mortgagee absolute protection, because after the mortgage has been copied into the book of record, the original document is returned to the mortgagee and remains in his possession. It doesn't matter to him what happens to the record. If the record is destroyed, by fire for instance, the mortgagee still has in his possession the original paper, and he is fully safe-guarded. Again, the mortgagee is protected from trickery of any kind. Even if a corrupt clerk were to try to destroy the record or its wording, the mortgagee has the original document, which always remains the final authority in all matters of dispute. Not only is it extremely difficult to falsify a public record, and not only would such falsifying have no effect upon the original document, but it is practically impossible to lose or to misplace a record. Each record is inscribed in a large book, and any attempt to tamper with so bulky an object could scarcely escape detection.

But with all these points in favor of recording of chattel mortgages, there remain, nevertheless, several serious defects in the system. The very bulkiness of the books of record, which makes it almost impossible to either lose or tamper with the

records, also makes it very inconvenient for the person who wishes to examine them. Not only is it less easy to look up mortgages under this system, but when they are found one cannot be sure that the records are correct. When, as is the case in large cities, hundreds of instruments are recorded every day, it is impossible to keep mistakes from creeping into the records. These clerical mistakes, although they do not effect the mortgagor or the mortgagee, because the original document in the possession of the mortgagee is the only authentic instrument, may still seriously mislead a third party who wishes to enter into business relations with the mortgagor. A man could even bribe a clerk to make changes in the record in order to mislead some innocent third party. Such cases of course occur very seldom, but I point them out as possibilities. The most serious defect in the recording system, however, is the great labor and expense it requires to maintain. Where it takes one clerk to take charge of a filing system, it takes ten to maintain a recording system. In my home city, Milwaukee, the fee for filing chattel mortgages is only twelve cents, while the fee for recording other legal instruments is \$1.20—exactly ten times as much. I take it for granted that this ratio will be found wherever the two systems are used side by side. This extra money is spent in laboriously copying the mortgages into the public books. A large force of clerks is made necessary, besides additional office equipment.

Let us compare the system of recording with its merits and its defects with the filing system. The filing of chattel mortgages is now employed in twelve states: Kansas, Michigan, Minnesota, Montana, Nebraska, New York, Oklahoma, South Dakota, Utah, Washington, Wyoming, and Wisconsin. In Colorado, Ohio, and Missouri, filing and recording are both legalized. An examination of the list of states employing the different systems shows that in general the eastern states employ the old method of recording, whereas the western and southwestern states employ the comparatively new filing system. This is probably due to the fact that the western states are younger and more willing to lay aside the old for the new, whereas the older states are more conservative.

What are the merits of this new system which have recommended it to the more progressive western states and to such a commercial state as New York? In the first place, the filing system saves time. It takes about a minute to find the mortgage number in the index, and another minute to find the document in the file. Not only are chattel mortgages indexed, but likewise affidavits, bills of sale, and other legal instruments of a similar character. The index book page is divided into seven columns: the first is the number of the instrument; next comes the name of the grantor; then the title of the document—such as chattel mortgage, bill of sale, etc.; then the name of the grantees; the date of the instrument; the time of filing; and last of all the date of filing of the satisfaction. If the Provident Loan Society had filed a chattel mortgage with Tom Jones as the mortgagor at the county recorder's office, the entry would read as follows: No. 8546; Grantor, Jones, Tom; Title C. M. (Chattel Mortgage); Grantee, Provident Loan Society; Date of instrument, May 8, 1913; When filed, June 10, 1913, at 3 o'clock P. M.; Satisfaction filed, Aug. 8, 1913. And in the column "Satisfaction Filed" would be entered the number of the satisfaction. One need only look in the index book to gain all the information that would ordinarily be required. However, if he wishes to consult the original document, he need only give the number in the first column of the index to the clerk, who can find the required instrument in a minute or less.

After a mortgage has been indexed, it is placed in a filing envelope. Each envelope contains one hundred instruments and the documents are filed in numerical order, the numbers of the mortgages within the envelope being noted on the top of the envelope where it can be referred to readily. Each envelope is placed in a drawer—ten envelopes to a drawer—or a thousand documents. In order to examine a mortgage a person must go through the following process. First he finds the page number of the mortgage in the index by referring to a table. This is arranged very much like a multiplication table. After finding the initial letter of the mortgagor's last name in the first horizontal column, he follows the column of numbers arranged under this letter until he comes to the horizontal row of figures which

has at either extremity the initial letter of the mortgagor's first name. The number at the junction of these two columns is the number of the page in the index book. Turning to the correct page in the index book, he finds the number of the mortgage in the first column. He gives this number to the clerk who finds the document in the correct drawer of the filing cabinet.

Not only is this system more convenient for one looking up mortgages, but it is also much more convenient for the clerk. He can handle as many instruments as under the old way would require a staff of nine or ten stenographers and clerks; the work can be done more quickly, and the trouble of finding the desired information is minimized. Time, trouble and expense are saved by the filing system, and as has been said, the average cost of filing is only one-tenth that of recording.

The greatest objection to the filing system, I believe, is the possibility of destruction of the original document or of tampering with it. From my personal experience I know of cases where the instruments, either through carelessness or through trickery, have been mislaid. When once a mortgage has been placed in the wrong drawer, it is practically impossible to find it again. It would require searching through thousands of papers —a truly Herculean task. However, some companies make a practise of filing only a bona fide copy of the original instrument, while they keep the original document. When this is the case, filing is really as safe for the mortgagee as the more cumbersome system of recording.

In conclusion, let me sum up the main points of advantage and disadvantage of the two systems. Recording offers absolute protection to the mortgagee but not to the third party. It is very cumbersome, requires more time and labor to maintain, and is ten times as expensive as the other system. Filing offers equal protection to mortgagee, mortgagor, and third party; but this protection is not absolute in case the original document is filed. However, where a bona fide copy of the original instrument may be filed, the protection is fully as good as that offered by the recording system. Filing is more convenient, less difficult to maintain, and much less expensive. In view of all these

considerations, it seems to me advisable to secure legislation in all states permitting the filing of bona fide copies of chattel mortgages. The great cost of recording in some states makes it unprofitable to make small loans, especially when the recording fee is the greatest item of expense. In fact where the interest is low, the only way to make the lending of money to laborers and other small borrowers possible from the lender's standpoint, is to make the filing system legal. If the National Federation of Remedial Loan Associations took it upon itself to secure such legislation in the several states it would greatly benefit not only the loan societies but small borrowers in general. I therefore suggest that a committee be appointed, whose duty it shall be to secure the adoption of uniform laws throughout the United States permitting the filing of chattel mortgages.

MR. HAM:—The cost of recording is very high in a number of states, and this increases the charge to the borrower. The protection afforded by the recording system does not seem to be much greater than that afforded by the filing system. I do not know whether any bills have been introduced by the members of the Federation on this point, but it seems to me to be a vital matter.

MR. POND:—There is no comparison between the filing and recording system. The filing system is quicker, the expense is slight, and it is far ahead of the recording system, when it comes to getting information readily.

MR. HAM:—It is the aim of most, if not all of the members of the Federation, to decrease the cost of loans on chattel mortgages as far as possible to one per cent. per month. Some societies are charging that rate of interest, but it is supplemented by a fee. That fee is made necessary by the fact that where they do record, the same recording charge is made for a small as for a large mortgage. Take the Workingmen's Loan Association of Boston. Mortgages in Massachusetts must be recorded, both in the place of residence and in the place of occupation of the borrower. If a loan is made to a borrower who works in Boston and lives in Somerville, the mortgage must be

recorded in both places at an average cost of seventy-five cents, or \$1.50 for the two records, if complete protection is desired. That makes a charge of \$1.50 or 6% on a \$25 loan, which prevents that society from cutting its rate down to one per cent. flat.

It was voted to refer the matter of filing *versus* recording mortgages to the Legislative Committee, if appointed.

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## LAWS OF KENTUCKY GOVERNING CHATTEL MORTGAGES.

R. M. RUTHERFORD, Louisville, Ky.

There is one objectionable feature of the Kentucky law which would be much more troublesome, were it not for the care with which we select our borrowers. I refer to the enforcement of liens on chattels which we hold.

A chattel mortgage in most states is construed by the courts to pass title to the mortgagee upon conditions broken. If the mortgagor fails to make payment according to the terms of the mortgage, or if he removes his property without notice, by operation of law the mortgagee is vested with title to the property and may take possession of same and dispose of it. The distinction in the Kentucky law seems to be this: that a mortgage amounts to nothing more than a lien upon the property, and that the lien cannot be perfected except through judicial process, while in other states the title passes to the mortgagee upon condition broken and he may rightfully take possession of the mortgaged goods and dispose of them.

Thus it will be seen that in every case where we seek to satisfy our lien we have to file a suit, secure a judgment and advertise the property a certain length of time before disposing of it, except where there is an agreement to waive these proceedings. Otherwise, we would render ourselves liable to damages, particularly where the mortgagor objected to the removal of the property.

In a number of states the right of possession vests in the mortgagee immediately upon the execution of the mortgage if there be no expressed or implied stipulation in it to the contrary and regardless of whether the mortgage debt be due or not. This rule I believe obtains in Massachusetts, Texas, Connecticut, Alabama, New Jersey and a number of other states. Kentucky stands alone in her construction of a chattel mortgage as merely a lien enforceable in equity.

There should be a uniform law governing mortgages, both chattel and real, adopted by all the states. Years ago, great confusion existed in dealings with commercial paper because of the differing state laws. The "Negotiable Instrument Law," first adopted in New York and followed by almost all the states, has simplified the work of bankers and lawyers to a great extent. The same thing should be done with mortgages.

MR. HAM:—It would be desirable to have uniform laws regulating not only the filing of mortgages and the enforcement of liens, but also the rates of interest allowed on small loans and conditions under which the business may be conducted. About 25 states have enacted fairly satisfactory laws regulating the small loans business. Some are much better than others, and no two are exactly alike. In some states we have banking rates with a higher rate allowed under contract. In other states we have banking rates supplemented by a graduated fee, conditioned on the amount of the loan. That is open to great abuse through splitting up loans and undue repetitions. In a number of states we have an interest rate of two per cent. per month, supplemented by a small fee. In one or two states we have a rate of interest of three per cent. per month with and without additional fees. The Massachusetts law allows a rate of three per cent. per month and the supervisor of loan agencies has drawn upon the powers which he considers to have been impliedly conferred upon him and authorized an additional fee of 10% of the amount borrowed. Under this ruling, it is possible for licensed companies, supposedly doing a reputable business, to charge something over 100% per annum. Obviously this is a situation sadly in need of a remedy.

In drafting bills, we encounter local conditions of which we are not fully informed. We are told that the country bankers would oppose a flat rate of interest and a license provision; that the state banking department is not qualified to supervise the banking business, or that there is no banking department; that the legislature would never stand for a flat rate of interest, or that the constitution forbids the legislature to enact laws fixing the interest rate.

I think that if a small committee were appointed, it could make a careful study of the subject and consider the advisability of bringing before the Uniform Laws Commission such questions as affect rates of interest and filing systems.

The Convention voted that the Chairman appoint such a committee.

Following the report of the Nominating Committee, Mr. Charles H. Brown, Jr., of Buffalo, was elected chairman and Mr. R. R. Stevens of New York secretary-treasurer for the year 1914-15.

On recommendation of the Nominating Committee, the Membership Committee was discontinued and its duties transferred to the Executive Committee.

The following amendments to the Constitution of the Federation were adopted:

**MEMBERSHIP.** Subject to the decision of the Executive Committee, all societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate.

The annual membership dues shall be as follows:

For all societies having an average loan balance during the preceding year of \$1,000,000 and over, \$50; for societies having an average loan balance of \$100,000 to \$1,000,000, \$25; for societies having an average loan balance of less than \$100,000, \$10. All societies admitted during the year shall pay the minimum membership fee of \$10.

**OFFICERS.** The officers of the organization shall be a chairman and secretary. These, with seven others appointed annually by the chairman shall constitute the Executive Committee.

The chairman appointed Messrs. Charles F. Bigelow, Hugh Cavanaugh, W. H. Finley, A. H. Ham, D. H. Pond, R. M. Rutherford and Frank Tucker, to serve with the officers as the Executive Committee.

MR. CAVANAUGH :—An interesting question has arisen in regard to the policy to be followed by remedial loan associations in localities where a number of companies profess to be operating at legal rates. This condition exists in Indiana and Ohio to-day. When the Indianapolis company was organized, I gave to its representatives the following advice: "When this bill becomes a law, every loan shark in the state of Indiana will fly a banner, stating that he loans at legal rates. If you are going to be distinguished from the other companies, you must offer some inducement." I then submitted the advertisement we run in the Cincinnati Times, which states that we loan for less than legal rates and for less than any other company in the city, county, or state. For instance, the law of Ohio permits us to charge \$18 for \$100 for one year. Our rate for an original loan is \$11.50, or \$6.50 less than the other companies are charging. The very fact that we have been established for fourteen years is pretty good evidence that we are doing business. The loan business is similar to any other business, and the way to succeed is to offer a little better inducement than your competitor. By persisting in this policy, you will finally dominate the situation. We have never charged the full legal rates. We have reduced our rates so that to-day we are loaning at about two-thirds of the rates charged by the other companies. During the last three of four years, nearly every one of our competitors has moved out of town.

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#### UNIFORM ACCOUNTING AND REPORTS.

FRANK TUCKER, New York, N. Y.

During the course of a year, I am frequently asked to express an opinion on the work of a society already in existence or on the preliminary work of some proposed organization. I

find that in most cases it is very difficult to do so in the absence of exact information. Mr. Finley, in his report yesterday, referred to the difficulty of getting information from the members of the Federation. There is one way in which we can all contribute information for our mutual benefit and that is through our annual reports. Each report should contain standardized financial and statistical statements. I cannot speak with great exactness, but I am under the impression that I do not receive reports from more than four or five of the societies in the Federation. Some of them contain just enough general items of information to arouse your appetite for more, but none is altogether satisfactory.

In the annual report of the Provident Loan Society of New York, we have given a summary of what has happened during the year, with some speculation as to the causes which are at work influencing the operation of societies. We have made certain historical statements which are of value in regard to the creation of new offices, districts selected, and why they happened to be selected, so that if you read the reports year by year, you will have a running history of the working of the organization. We try to anticipate any question that may be asked concerning our financial condition: where we get our capital, how it is used, and what we pay for it. We try to tell as concisely and accurately as we can the general trend of the operation. Full as we think our own report is, I wish some of you could see the report of the Mont de Piété, the great French municipal institution, in which the operations of every one of its branches are set out specifically by diagrams. Personally I think they go to an extreme, but being a governmental institution, they can afford to go into greater detail than is possible with us.

Most of the questions which we discuss here revolve around our statistics and finances. I think we are all agreed as to why our societies were formed, what we are trying to accomplish and why we do this and that. But we want to know, for instance, the lowest capital on which a society can operate and live in a city of small size. We want to know the capital necessities of a society operating in a city of medium size. We cannot determine what those capital necessities are until we know the

operating costs. We cannot know the operating cost until we know just exactly the work that is being carried on and its volume. We cannot determine the capital needs until we know what the revenue is. We cannot know whether the society is really fulfilling any social purpose until we know the cost to the borrower. All these elements are absolutely linked up and it is impossible to answer one question unless you get exact information upon all these items. Now our societies are setting themselves up as examples to be followed. We must make good. We must be absolutely frank with ourselves, our patrons and the public, and there is no better way than by making each year a comprehensive financial statement of our operations, together with such material as will show the philosophy of our work and its historical evolution. I think we ought to develop a standard report which will include such a uniform statement of facts and all statistics of operation. It should include a statement of assets and liabilities, and revenue and operation accounts. It should likewise make a statement of the disposition of the net earnings in the case of a stock corporation or the amount of interest paid in the case of a membership society and the disposition that is made of the surplus. In the case of organizations which are conducting two forms of work, as far as possible a statement of the cost of conducting each form of work should be included, even though it necessitates an arbitrary apportionment of the overhead charges. Such a report should also contain an adequate statistical statement showing the ebb and flow of the transactions during the year, because there are seasonal causes at work which affect our operations very largely. We might determine with some exceptions, if we had a statement of the transactions by months and by size, what these seasonal causes are: whether it is the summer vacation, or the purchase of coal and clothing in the fall, or the unusual amount of sickness due to throat and lung diseases in February and March. I think there is no better way to get our work before the public than by putting some effort upon an adequate report, because such a report, intelligently prepared, will always command the attention of the newspapers in the community.

MR. FERGUSON:—Do you find that the people who come to you for loans are equally distributed among the different social classes in the community?

MR. TUCKER:—People come to us from every class: the day laborer, the pushcart peddler, the small manufacturer, the small store-keeper, also the doctor, the engineer, the policeman, the fireman, men of very considerable force in life and women of considerable social standing. There come to us representatives of families that have been among the most noted in our social life in times past. This may not be an adequate description of those who would come to a similar institution in another city. I am speaking of New York, with its many ups and downs, its increase and diminution in earning power, its shifting possibilities of earning a living and the seasonal character of many employments which affect a large percentage of our population.

Certain of our offices are situated in great traffic centers; for instance, our central office at 25th Street and Fourth Avenue; our Times Square office; our Mount Morris office. Then we have offices located in the center of the Jewish district, such as our three offices on the East Side of New York, with their combined loans amounting to three and one-half millions of dollars. We have another office in the great Jewish district of Brooklyn, near Brownsville; one in the great traffic center in that part of Brooklyn known as Williamsburg, and we have just bought the property and started a building in the traffic center of Brooklyn, near the Borough Hall.

We have no office in what might be called a poor district. The East Side is not a district of poor people any more; it is a district of people of very considerable earning capacity as well as people of very modest earning capacity. You would perhaps think of the pushcart peddler as a poor man. I was dumbfounded the other day when I was told that a pushcart peddler who has a stand in front of one of our offices took in \$50 a day from the sales of the commodity in which he dealt. Do not think, gentlemen, of our great East Side as a community of dire poverty. It is a great city with a tremendous population, including people of all degrees of worldly possessions, eliminating, of course, the multi-millionaire. The class of people,

judged by their habits of speech, their education, and what we call refinement, or lack of it, varies very much. The office in which we get the widest variety in the social scale is probably our oldest office, known as the Fourth Avenue office, where we have as applicants men and women of considerable position but temporarily embarrassed for money, the professional man, the municipal employee, the clerk and the stenographer. We must always realize that in a city like New York, there are thousands of people who are living on the ragged edge between cost of living and income, and that emergencies are costly. The cost of sickness or accident in the city of New York is a very serious affair, even for the most modest family, and it is necessary to provide for such an individual in order that he shall not be exploited. While a great many people have savings, I believe it to be true that many people borrow from us temporarily rather than disturb their savings bank account or withdraw between interest periods.

There are many interesting phases to our work. The human nature with which we come in contact is sometimes very astonishing. People borrow in many instances because it is more convenient than to go to a bank, or because the loan can be paid off whenever they see fit. It does not mean that they have to take the money for a specified period as they do in the ordinary bank or trust company.

MR. FERGUSON:—Twenty-five years ago, the only borrower from the bank was the business man. But as the country grows and the cost of the necessities of life becomes higher, there seems to be a general increase in the habit of borrowing.

MR. TUCKER:—I think the answer is this. In the first place, we have no idea of the extent of borrowing twenty-five years ago. I imagine it was just as great in proportion to the size of the population as it is today, but it was not done by established organizations. It was done by private individuals, and I imagine that the foundations of a good many fortunes were laid years ago by lending money at unusual rates of interest. It is difficult to make any comparison between conditions of today and twenty-five years ago, because the growth of population in parts of this country has been most unusual.

MR. HAM:—One of our duties is to protect the investor from the promoter who seeks to take advantage of the work of remedial loan societies to raise money for an organization of a totally different sort. In doing it, he frequently incorporates in his literature and prospectus the statistics published in our reports, in an attempt to deceive people into thinking he is forming a similar organization. It is advisable, I think, for all societies to copyright their annual reports, as some are now doing.

It was voted that a committee be appointed to present to the next convention a model form of annual report to be followed by the societies belonging to the Federation.

The time and place of the next annual convention was left to the Executive Committee with power.

Convention adjourned.

## APPENDIX I.

### CONSTITUTION OF THE NATIONAL FEDERATION OF REMEDIAL LOAN ASSOCIATIONS.

NAME. This organization shall be known as *The National Federation of Remedial Loan Associations*.

OBJECT. The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

MEMBERSHIP. Subject to the decision of the Executive Committee, all societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate.

The annual membership dues shall be as follows: For all societies having an average loan balance during the preceding year of \$1,000,000 and over, \$50; for societies having an average loan balance of \$100,000 to \$1,000,000, \$25; for societies having an average loan balance of less than \$100,000, \$10. All societies admitted during the year shall pay the minimum membership fee of \$10.

OFFICERS. The officers of the organization shall be a chairman and a secretary. These, with seven others appointed annually by the chairman, shall constitute the Executive Committee.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.

## APPENDIX II.

### A LAW ENACTED AS CHAPTER 49, LAWS OF 1914, STATE OF NEW JERSEY, PUBLISHED FOR ITS SUGGESTIVE VALUE TO OTHER STATES IN WHICH THE ENACTMENT OF SMALL LOANS LEGISLATION IS CONTEMPLATED.

**AN** Act to define, regulate and control the business of the making of loans or advancements of money in sums of three hundred (300) dollars or less in amount, and to regulate the assignment of wages when given as security for any such loan or advancement.

**License required. Business defined.** Approved March 23, 1914.

Sec. 1. Every person, firm, corporation or association engaged or seeking to engage, in this State, in the business of loaning money in sums of three hundred dollars or less amounts shall procure a license to conduct such business from the Commissioner of Banking and Insurance. When an application for a loan, or for an endorsement or guarantee, or for the purchase of a note, is made by any person within this State, and the money is advanced, or the endorsement or guarantee is made or furnished or the note purchased by any person situated without this State, the transaction shall be deemed a loan made within this State, and such loan, and the parties making it shall be subject to the provisions of this act. The buying or endorsing of notes, or the furnishing of guarantee or security for compensation, shall be considered to be engaging in the business of making small loans, within the provisions of this act. Any person, firm, corporation or association directly or indirectly engaged, or seeking to engage, in the business of negotiating, arranging, or aiding the borrower or lender in procuring or making loans of three hundred dollars or less, whether such loans are actually made by such persons or by other parties, shall be deemed to be engaged in the business of making small loans, and shall be subject to the provisions of this act.

**Issuance and revocation of licenses. Fees. Bond.**

Sec. 2. Any person, firm, corporation or association applying for the same under oath and in the form prescribed by the Commissioner of Banking and Insurance and paying the sum of fifty (50) dollars, may, in the discretion of the Commissioner of Banking and Insurance, except as hereinafter provided, obtain a license for carrying on the said business. The said license shall be issued by the Commissioner of Banking and Insurance and shall expire the first day of March next following the date of its issuance, but no abatement of said charge shall be made if licenses are issued for less than one year. Every such license shall be renewed annually on the first day of March in each year. No license shall be granted to any corporation unless and until such corporation shall, in writing and in due form, to be first approved by and filed by the Commissioner of Banking and Insurance, appoint an agent, resident in the State of New Jersey,

upon whom all judicial and other process or legal notice directed to such corporation may be served, and in the case of the death, removal from the State, or any legal disability or disqualification of any such agent, service of such process or notice may be made upon the Commissioner of Banking and Insurance. The said commissioner shall have the power to reject any application for license if he is satisfied that the character and general fitness of the applicant or applicants is not such as to command the confidence of the community and to warrant the conclusion that the business will be honestly transacted in accordance with the intent and purpose of this act. The said commissioner may revoke any license if the licensee shall violate any of the provisions of this act or fail to comply with any rule or regulation made by said commissioner under authority of section nine (9) hereof. Whenever for any cause such license is revoked, said commissioner shall not issue another to said licensee until the expiration of at least one year from the date of revocation of such license and not at all if such licensee shall have been convicted of a violation of this act under the provisions of section six (6) thereof. In addition to said license fee said licensee shall pay for the examination by said Commissioner of Banking and Insurance as hereinafter provided. Every such applicant shall execute and file a bond to the State of New Jersey in the penal sum of five thousand (5,000) dollars, with the Commissioner of Banking and Insurance, to be approved by him, for the faithful observance of all laws relating to such business. Said bond shall be executed by a surety company authorized by the laws of New Jersey to transact business within the State, and such bond shall be renewed and refiled annually not later than the first day of March in each year.

**What license shall state. Must be kept posted. Licensee to do business under own name and at only one place. Transfer of license on removal.**

Sec. 3. The license shall state fully the name or names of the person or corporation and of every member of the firm or association authorized to do business thereunder, and the location of the office or place of business in which the business is to be conducted; and in the case of a corporation shall also state the date and place of its incorporation, the names of its directors for the period for which the license is issued, and the name and address of the agent as provided in section two (2) of this act. Such license shall be kept posted in a conspicuous place in the office where the business is transacted. No person, firm, corporation or association so licensed shall transact or solicit business under any other name or at any other office or place of business than that named in the license. Not more than one office or place of business shall be maintained under the same license, and no loans or advancements shall be made at any other place than that designated in the license. But in case of a removal, the Commissioner of Banking and Insurance may, on application, indorse thereon a transfer to the new place of business, with the date of transfer and from the time of such endorsement the new place so designated shall be deemed the place designated in the license.

**Examinations; cost paid by licensee. Annual report.**

Sec. 4. The Commissioner of Banking and Insurance shall either personally, or by such person or persons as he may appoint for the purpose, at least once a year, and oftener, if he deems it advisable investigate the business and affairs of every such licensee, and for

that purpose shall have free access to the vaults, books and papers thereof, and other sources of information with regard to the business of such licensee, and shall ascertain the condition of the business and whether it has been transacted in accordance with law and such rules and regulations as may be prescribed by the Commissioner of Banking and Insurance pursuant to section nine (9) of this act. Said commissioner and every examiner appointed by him shall have authority to examine under oath or affirmation any person whose testimony relative to the business of any such licensee may be required on any such examination. The cost of every such examination shall be paid by the licensee so examined, and said commissioner may maintain an action for the recovery of such costs in any court of competent jurisdiction. All licensees shall annually, on or before the twentieth day of December, submit a report to the Commissioner of Banking and Insurance in the form of a trial balance of their books at the close of business on the thirtieth of November last preceding, and shall specify the different kinds of liabilities and the different kinds of assets, together with such other information as may be called for by said commissioner in accordance with a blank form to be furnished by him.

**Charges for loans. Statement and receipt to be furnished borrowers. Limitation on loans.**

Sec. 5. No such licensee shall charge or receive of the borrower or borrowers, or any other person on his, her or their behalf, a greater rate of interest than three per centum per month. Such interest shall not be payable in advance and shall be computed on unpaid balances. No charges, bonus, fees, expense or demands of any nature whatsoever other than interest as above provided shall be made upon such loans or advancements except upon the actual foreclosure of the security or upon the entry of judgment. Every such licensee shall furnish the borrower at the time the loan is made a statement in the English language showing in clear and distinct terms the amount of the loan, and the date when loaned and when due, the person to whom the loan is made, the name of the lender, and the amount and rate of interest charged. On the back of such statement there shall be printed in English a copy of section five of this act. The lender shall give to the borrower a plain and complete receipt for all payments made on account of the loan at the time such payments are made. No loan or advancement greater than three hundred (300) dollars shall be made to any person nor shall any one person owe such licensee more than three hundred (300) dollars at any time.

**Penalties.**

Sec. 6. The violation of any provision of this act shall be a misdemeanor, and if such violation be by a corporation, then such violation shall be a misdemeanor on the part of any person participating therein as a representative or agent of said corporation. Every loan in connection with which such violation shall have occurred shall be absolutely null and void, and the borrower shall be entitled to recover from the lender any or all sums paid or returned on account of or in connection with such loan.

**When assignment of or order for wages valid.**

Sec. 7. No assignment of or order for wages earned or to be earned in the future to secure a loan or advancement of three hundred (300) dollars or less shall be valid against the employer of the per-

son making such assignment or order unless such assignment or order is accepted in writing by said employer. No such assignment or order shall be valid when made by a married man, unless the written consent of his wife to the making thereof is attached thereto; **provided**, that where a married man is living separate and apart from his wife for a period of five months prior to the making of said assignment or order then said consent shall not be required.

**Act not applicable to certain persons, etc.**

Sec. 8. This act shall not be held to apply to regularly licensed pawnbrokers nor to providence loan associations authorized to do business by chapter ninety-six of the laws of nineteen hundred and four, nor to persons doing business under chapter three hundred and sixty-eight of the laws of eighteen hundred and ninety-five, nor shall it apply to banks, bankers, trust companies, savings banks, building and loan associations or insurance companies, nor to any transaction with banks, bankers, trust companies, savings banks, building and loan associations or insurance companies, nor to any loan made upon real estate security.

**Commissioner to enforce act. May make rules.**

Sec. 9. The enforcement of this act shall be intrusted to the Commissioner of Banking and Insurance, and he is hereby authorized and empowered to make rules and regulations necessary in his judgment for the conduct of such business and the enforcement of this act in addition hereto and not inconsistent herewith.

**Repealer.**

Sec. 10. Chapter two hundred and sixty-nine of the laws of nineteen hundred and ten entitled "An act to regulate and control the business of the making of loans on personal property, chattel mortgages or assignment of salary or wages," as amended by chapter three hundred and ninety-four of the laws of nineteen hundred and twelve, and all acts and part of acts inconsistent herewith are hereby repealed.

**When act in effect.**

Sec. 11. This act shall take effect thirty days after its passage.

## APPENDIX III.

## REPORT OF THE COMMITTEE ON LEGISLATION.\*

Reprinted from the 1913 Bulletin.

In the opinion of the Committee the most satisfactory law regulating the small loaning business is one that forbids the making of loans of less than \$200 or \$300 regardless of the nature of the security, except by licensed and supervised persons or corporations. The license should be issued by a specially created state department or a bureau within an existing department, preferably that of banking. A bond of at least \$1,000 should be filed. The supervising authority should be given power to examine the books and business methods of licensees and they should report to him at least annually. The rate of interest should be 2 per cent. per month with an additional fee of about \$1.00 to partially cover the cost of examining the security, or a flat rate of 3 per cent. per month without additional fees of any character. The flat rate without fees is preferable. If fees are allowed they should be safe-guarded against repetition through renewals or extensions, or even in case new loans are made within a period of six months or a year. It is so difficult to safe-guard the fee against undue repetition that the Committee believes that wherever possible a flat rate of interest of about 3 per cent. per month should be allowed. Interest should be charged only on unpaid balances. The supervising authority should be given power to make such rules and regulations as may seem to him necessary. He should have power to refuse to issue a license when in his judgment the character of the applicant is not such as to indicate that the law will be observed. He should also have power to revoke licenses for misbehavior, but licensees should have the right of appeal. Borrowers should receive receipts for all payments made, a copy of the section of the law regulating charges, and a memorandum showing clearly the amount and the due date of interest and instalments on principal. Penalties of fine and imprisonment should be provided for persons operating without license, and for licensees who violate the law. Loans made at illegal

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\* See Note, page 66.

rates should be absolutely void and unenforceable. It is the opinion of the Committee that the law should permit copies of chattel mortgages to be filed in place of the expensive and unwieldy system now in force in several states requiring all mortgages to be copied in long-hand as a public record.

Fairly satisfactory small loan laws are now in force in Massachusetts, Rhode Island, New York, New Jersey, Illinois, Indiana, Missouri, Michigan, Colorado and Oregon. In these states the law allows an interest charge of about 2 per cent. per month (Massachusetts and Illinois, 3 per cent., Rhode Island, 5 per cent. on small loans), on small loans secured by pledge or mortgage of personal property or assignments of wages. The New Jersey law applies only to chattel mortgage loans, the New York law to loans secured by pledge or mortgage of personal property, and the Illinois law to loans secured by assignments of wages. In all of these states license and bond are required. In Massachusetts the supervision is vested in a state supervisor of loan agencies; in New York, New Jersey, Colorado and Oregon, in the state superintendent of banks; in Illinois in the auditor of public accounts.

In Maryland, Virginia, Pennsylvania, Tennessee, Ohio, Wisconsin and Minnesota, the laws recognize the necessity of a higher charge on small loans than the banking rate of interest, but allow this by providing for an examination fee in addition to the contract rate of interest. In all of these states license is required, and usually a bond, but the license is issued by local authorities and the supervision of licensees is inadequate.

Laws designed to regulate the small loan business have been enacted in several other states, but are defective in that the charges allowed are too low to permit the business to be done profitably or because they inadequately cover the various phases of the business. This list includes Maine, Connecticut, Delaware, Mississippi, Nebraska, Montana, California and the District of Columbia.

A. H. HAM,

R. M. RUTHERFORD,

CHAS. L. CRANE,

*Committee on Legislation.*

NOTE.—The present law of the District of Columbia allows a charge of one per centum per month which must "cover all fees, expenses, demands and services of every character, including notarial and recording fees and charges." In the light of experience and in view of the fact that each licensee must pay an annual license fee of \$500 and file a bond of \$5,000, this law would seem to be prohibitive. The member of the Federation in the District of Columbia, however, is attempting to comply with its terms, pending the granting of relief by Congress.

It should be the purpose of small loan legislation to make it possible for the business to be conducted at a fair profit, in order that decent capital may come into the business and furnish the competition necessary to keep profits within reasonable limits. Banking rates of interest cannot be imposed upon this business. The loan company, having no deposits, must do business on its paid-in capital alone; and in order to pay operating expenses, losses, and a reasonable return upon the investment, a higher rate of interest than the banking rate must be charged. What this rate should be is best shown by an analysis of the annual reports of the 34 remedial loan societies now in operation. (The annual operating expenses, including losses from unpaid loans, of the 17 chattel loan societies that were organized prior to January, 1910, average 14.4 per centum of the average amount outstanding on loans. The figures are considerably increased in the case of societies organized since January, 1910, and not yet on a full working basis. Add to the operating cost of 14.4 per centum a fair return to capital of, say, six per centum, and we find that a charge of over twenty per centum per annum, inclusive of interest and fees of whatever character, is the minimum charge on which the business can be conducted, unless a very large capital is employed. As many of the societies included in this list have been in operation for many years, and have been able to effect economies in operating expense that are possible only through long experience, it is safe to say that capital cannot be encouraged to enter this field unless a charge of at least two per centum per month is allowed. Experience has proved that the pawnbroking business can be done at a slightly lower cost, and that for loans upon salaries a charge of about three per centum should be allowed.)









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AUG 24 1915

# BULLETIN

OF

## The National Federation of Remedial Loan Associations

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July, 1915

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PROCEEDINGS  
SEVENTH ANNUAL CONVENTION  
BALTIMORE, MD., MAY 13-15, 1915

PUBLISHED BY  
THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS







UNIVERSITY OF ILLINOIS

AUG 24 1915

SEVENTH ANNUAL CONVENTION

OF

The National Federation of Remedial  
Loan Associations

HELD AT

HOTEL RENNERT

Baltimore, Md., May 13-15, 1915

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LOAN ASSOCIATIONS

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# The National Federation of Remedial Loan Associations

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## OFFICERS

CHARLES H. BROWN, Jr., Chairman, 223 Ellicott Square, Buffalo, N. Y.

GEORGE E. UPSON, Secretary-Treasurer, 107 Paul Bldg., Utica, N. Y.

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## EXECUTIVE COMMITTEE

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GEORGE E. UPSON, Utica, N. Y.	D. H. POND, Cleveland, O.
L. D. MAPES, New York, N. Y.	HUGH CAVANAUGH, Cincinnati, O.
CHAS. F. BIGELOW, Providence, R. I.	R. M. RUTHERFORD, Louisville, Ky.
A. H. HAM, 130 East 22nd St., New York, N. Y.	

## MEMBERS OF THE FEDERATION

---

		Organized
1	Collateral Loan Co., Boston, Mass. Thomas J. Reid, Gen. Mgr.	1859
2	Workingmen's Loan Assn., Boston, Mass. T. A. Richardson, Mgr.	Apr. 1888
3	Economy Building & Loan Co., Cleveland, Ohio. D. H. Pond, Pres.	Dec. 1892
4	St. Bartholomew's Loan Assn., New York, N. Y. J. R. Ferguson, Mgr.	Feb. 1894
5	Provident Loan Society of New York, N. Y. Frank Tucker, Vice-Pres.	May 1894
6	Worcester Collateral Loan Assn., Worcester, Mass. C. E. Burnham, Treas.	Nov. 1896
7	Workingmen's Loan Association, Providence, R. I. Chas. F. Bigelow, Mgr.	Jan. 1898
8	Chattel Loan Assn. of Baltimore City, Md. W. N. Finley, Mgr.	May 1898
9	First State Pawners' Society, Chicago, Ill. Samuel Wolfort, Mgr.	Nov. 1899
10	Citizens' Mortgage Loan Co., Cincinnati, Ohio. Hugh Cavanaugh, Mgr.	June 1900
*11	Society for Savings and Loans of Washington, D. C. J. T. Exnicios, Treas.	Jan. 1905
12	Provident Loan Society of Milwaukee, Wis. J. H. Rubin, Mgr.	Feb. 1905
13	Newark Provident Loan Assn., Newark, N. J. Wm. F. Davis, Mgr.	Apr. 1905
14	Workingman's Collateral Loan Co., Cleveland, Ohio. A. D. Baldwin, Secy.	Apr. 1906
15	Provident Loan Society of Detroit, Mich. John E. Ryan, Mgr.	July 1906
16	Chattel Loan Co., Grand Rapids, Mich. F. E. Stroup, Treas.	Jan. 1910
17	Equitable Loan Assn., Minneapolis, Minn. R. C. Glidden, Mgr.	Apr. 1910
18	Provident Loan Society, St. Louis, Mo. C. M. Kelly, Mgr.	June 1910
19	People's Provident Association, Louisville, Ky. R. M. Rutherford, Mgr.	Oct. 1910
20	Remedial Provident Loan Association, Paterson, N. J. F. X. Meegan, Mgr.	Nov. 1910
21	Welfare Loan Agency, Kansas City, Mo. M. M. Power, Supt.	Dec. 1910
22	Provident Loan Society, Seattle, Wash. H. C. Henry, Pres.	Jan. 1911
23	People's Loan Co., Portland, Me. C. A. McCarty, Treas.	Dec. 1911
24	Chattel Loan Society of New York, N. Y. L. D. Mapes, Mgr.	Feb. 1912
25	Provident Loan Society, St. Paul, Minn. D. S. Coffey, Mgr.	Feb. 1912
26	Utica Provident Loan Assn., Utica, N. Y. George E. Upson, Mgr.	Mar. 1912
27	Provident Loan Assn., Sioux City, Iowa. A. L. Whitmer Pres.	Apr. 1912
28	Indianapolis Public Welfare Loan Assn., Indianapolis, Ind. C. R. Jones, Mgr.	Nov. 1912
29	San Francisco Remedial Loan Assn., San Francisco, Cal. Albert C. Auger, Mgr.	Dec. 1912
30	Provident Loan Society, Rochester, N. Y. F. A. Phillips, Mgr.	Dec. 1912
31	Remedial Loan Society, Buffalo, N. Y. Charles H. Brown, Jr., Mgr.	Jan. 1913
32	Onondaga Provident Loan Assn., Syracuse, N. Y. Erasmus Pellenz, Mgr.	Mar. 1913
33	Duluth Remedial Loan Assn., Duluth, Minn. Harry E. Berg, Mgr.	May 1913
34	Equitable Collateral Loan Co., Youngstown, Ohio. John E. Taylor, Mgr.	June 1913
35	First State Industrial Wage Loan Society, Chicago, Ill. Arthur E. Hill, Mgr.	Nov. 1913
36	Portland Remedial Loan Assn., Portland, Ore. C. Myers Herrman, Mgr.	Feb. 1914
37	Provident Loan Society, Dallas, Tex. M. J. Jacobus, Mgr.	June 1914
38	Remedial Loan Company of Philadelphia, Pa. Frank S. Benson, Mgr.	Oct. 1914
39	Toronto Municipal Loan Assn., Toronto, Ontario. W. P. Morgan, Secy.	Dec. 1914
40	Lynn Remedial Loan Society, West Lynn, Mass. Arthur J. Northrup, Mgr.	Apr. 1915

\*Resigned.

## DIRECTORS OF THE MEMBER SOCIETIES

---

### COLLATERAL LOAN COMPANY Boston, Mass.

Charles P. Curtis, Pres.	George R. Jewett
Lewis E. Moore	John F. Moors
William R. Dewey	Clarence W. Rawley
Charles E. Ware	Thomas J. Reid, Gen. Mgr.

### WORKINGMEN'S LOAN ASSOCIATION Boston, Mass.

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John F. Moors	John H. Storer
Edmund Billings	Samuel Carr, Jr.
Henry B. Cabot	F. M. J. Sheenan
Francis P. Sears	T. A. Richardson, Manager

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Geo. H. Foster	R. S. Pierce
	T. W. Hill

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George S. Brewster	Ambrose D. Henry
Warren E. Dennis	Henry P. Rogers
J. Morgan Wing	L. Stuart Wing
	Jas. R. Ferguson, Manager

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James Speyer	William Sloane
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Horace E. Andrews	George S. Brewster

WORCESTER COLLATERAL LOAN ASSOCIATION  
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Rathbone Gardner	John R. Gladding
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Wm. D. Lindsay	Walter Read
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J. W. Walton	Starr Cadwallader
T. W. Hill	W. J. Kirkpatrick, Manager

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Christian H. Hecker	John E. Ryan, Manager

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Ganson Taggart	Bert Owens

Irving H. Stroup

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Jno. W. Barr, Jr.	V. B. Smith
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	Francis X. Meegan, Manager

WELFARE LOAN AGENCY  
Kansas City, Mo.

William Volker, Pres.	M. M. Power, Supt.
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W. B. Bourn	E. W. Newhall
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Mort. Fleishhacker	Mrs. Louis Sloss
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Edward Harris	Robert C. Shumway
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**REMEDIAL LOAN SOCIETY  
Buffalo, N. Y.**

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**DULUTH REMEDIAL LOAN ASSOCIATION  
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**EQUITABLE COLLATERAL LOAN CO.  
Youngstown, O.**

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R. E. Cornelius	John E. Taylor, Manager

**FIRST STATE INDUSTRIAL WAGE LOAN SOCIETY  
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Gustave F. Fischer	Harry J. Powers
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A. H. Devers	Wm. F. Woodward
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H. C. Coke	Alexander Sanger
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Chas. H. Platter	Simon Linz
Dean H. T. Moore	M. H. Wolfe
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	M. J. Jacobus, Manager

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John T. Emlen	Asa S. Wing
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Toronto, Ontario

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Controller, J. O. McCarthy	A. L. Malone
G. H. Wood	Lt. Col. W. K. McNaught
Hume Blake	Alderman W. D. Robbins
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A. J. Gough	George T. Irving
A. L. Massey	Sir Edmund Osler
John I. Sutcliffe	James Scott
	W. P. Morgan, Secretary

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Rev. E. J. Dennen	E. V. French
Guy Newhall	R. E. Harmon
Wm. M. Nye	Henry F. Tapley
	Arthur J. Northrup, Manager



## PROCEEDINGS OF THE SEVENTH ANNUAL CONVENTION

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The National Federation of Remedial Loan Associations was organized at Buffalo, N. Y., June 10, 1909, and is affiliated with the National Conference of Charities and Correction.

The Seventh Annual Convention of the Federation was held at the Hotel Rennert, Baltimore, Md., May 13, 14 and 15, 1915.

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**First Session, May 13, 1915, 10:00 a. m.**

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The convention was called to order by the Chairman, Charles H. Brown, Jr., with representatives of the following societies present:

Collateral Loan Co., Boston, Mass.  
Economy Building and Loan Co., Cleveland, Ohio  
St. Bartholomew's Loan Association, New York, N. Y.  
Provident Loan Society, New York, N. Y.  
Worcester Collateral Loan Association, Worcester, Mass.  
Chattel Loan Association, Baltimore, Md.  
Citizens' Mortgage Loan Co., Cincinnati, Ohio  
Newark Provident Loan Association, Newark, N. J.  
Provident Loan Society, Detroit, Mich.  
Chattel Loan Co., Grand Rapids, Mich.  
People's Provident Association, Louisville, Ky.  
Remedial Provident Loan Association, Paterson, N. J.  
Chattel Loan Society, New York, N. Y.  
Utica Provident Loan Association, Utica, N. Y.  
Provident Loan Association, Sioux City, Ia.  
Provident Loan Society, Rochester, N. Y.  
Remedial Loan Society of Buffalo, N. Y.  
Equitable Collateral Loan Co., Youngstown, Ohio  
Remedial Loan Company, Philadelphia, Pa.  
Toronto Municipal Loan Association, Toronto, Ont.

The convention was welcomed to Baltimore by Mr. W. N. Finley, representing the Mayor of the city and the Chattel Loan Association.

The Chairman appointed Mr. George E. Upson Temporary Secretary.

REPORT OF THE CHAIRMAN  
CHARLES H. BROWN, JR., Buffalo, N. Y.

In making this report as Chairman of your Federation, I shall deal principally with the affairs of the Federation itself, leaving the larger aspects of the remedial loan movement to Mr. Ham's paper. The life of the Federation during the past year has been active and varied, and a growth of fair proportions has been achieved. It is a great pleasure to report that since our last convention five societies have been admitted to membership: viz., The Provident Loan Society of Dallas, Tex., The Remedial Loan Company of Philadelphia, Pa., The Toronto Municipal Loan Association, Toronto, Ontario, The Lynn Remedial Loan Society of Lynn, Mass., and The Portland Remedial Loan Association of Portland, Oregon. The vote of the Executive Committee on the admission of the last two societies mentioned was completed too late for the insertion of their names in the list of members on our printed program. We welcome these new members most cordially, and we express to them the hope that membership in our Federation may be of as great service to them as it has been to the rest of us.

It is with regret that I report that the Society for Savings and Loans of Washington, D. C., has tendered its resignation from membership in our Federation. This resignation was duly acknowledged by me and now comes to this convention for action. As there seems at present no other solution of this difficulty, I recommend that a resolution be presented accepting this resignation.

Some months ago Mr. R. R. Stevens resigned from the managership of the Chattel Loan Society of New York, and from the office of Secretary-Treasurer of our Federation. In the absence of constitutional authority in the matter it was thought best to hold this resignation for action by this convention, and the duties of the office have been administered during the interim by Mr. Ham. It is of course necessary that this resignation be accepted. I recommend that the Chair be authorized to appoint a committee to present to this convention

for action an amendment to the constitution, authorizing the Executive Committee to fill vacancies in office which may occur between conventions.

At our last convention the constitutional provision in regard to dues was amended, and the result is that an insufficient fund has been at the disposal of the Federation for its expenses during the year. I recommend that this matter be reconsidered by this convention and that an amendment to the constitution be adopted which will provide a suitable fund for the necessary expenses.

In accordance with a resolution adopted at the last convention I appointed Messrs. Pellenz, Hill, Mapes and Auger as a committee on annual report. This committee will lead the discussion set down in our program for Friday morning. The last convention also authorized the appointment of a committee on legislation. Messrs. Pond, Ham, Rutherford, Bigelow and the Chairman will constitute this committee, and while there is nothing to report at present, it is hoped that important work may be done prior to the next legislative season, and that a comprehensive report may be made to the next convention.

I venture to say that since the organization of this Federation, the various members have not had as many pressing problems as has been the case during the year just ended. The financial life of our country has met with an unprecedented upheaval. While the enormous difficulties which our people have faced are gradually clearing away, yet we have all passed through a period of trial that we hope may never be repeated. The disturbance to which I refer has shaken society to its foundation; has affected the welfare of a great majority of our citizens, and has imposed upon agencies like our own a burden which has been most trying. Not only has unemployment existed on an enormous scale, but the outlook for a resumption of activities has been gloomy. I do not propose to encroach upon the paper to be read on the subject, "Remedial Loan Societies and Unemployment," but I do feel that we have unlimited cause for thanksgiving that our societies have weathered the storm and have been of incalculable service to people of moderate means whose comfort and well-being have been so seriously threatened.

The program for this convention has been prepared with exceeding care and it is hoped that the papers to be read and the topics to be discussed may result in a renewed interest on the part of the membership and an increasingly determined effort to render to our several communities the largest possible portion of the great service which is our ideal.

MR. FINLEY:—I move that a committee of three be appointed to consider the questions contained in the Chairman's report, to draw up a plan and report at the Friday afternoon session.

The Chairman appointed Messrs. Pond, Stroup and Rutherford to this committee.

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#### REPORT OF THE SECRETARY-TREASURER

R. R. STEVENS, New York, N. Y.

The membership roll of the Federation has been increased from 35 to 40. The new societies admitted are the following: Provident Loan Society of Dallas, Tex., Remedial Loan Company of Philadelphia, Pa., Toronto Municipal Loan Association, Toronto, Ontario, Lynn Remedial Loan Society, Lynn, Mass., and Portland Remedial Loan Association, Portland, Ore.

The last convention adopted an amendment to the Constitution changing the annual membership dues as follows: "For all societies having an average loan balance during the preceding year of \$1,000,000 and over, \$50; for societies having an average loan balance of \$100,000 to \$1,000,000, \$25; for societies having an average loan balance of less than \$100,000, \$10." This resulted in a decrease in the amount received from dues for the year, from \$735 to \$525. All dues for the year 1914-1915 have been paid.

Following is a statement of receipts and disbursements for the year ending May 13, 1915:

RECEIPTS	DISBURSEMENTS
Balance, July 9, 1914.....\$ 79.05	Convention luncheons July 9-10, 1914 .....\$ 49.00
Dues 1913-1914 ..... 10.00	Stenographer, 1914 con- vention ..... 78.00
" 1914-1915 ..... 525.00	Publications ..... 299.51
" 1915-1916 ..... 10.00	Advertising ..... 22.00
	Editorial work on Bulletin. 50.00
	Copyrights ..... 2.16
	Exchange on checks..... 1.00
	Stationery and printing.... 73.45
	Secretary: for postage, express, sta- tionery and printing.... 7.68
	Chairman: for postage, express, and multigraphing ..... 11.24
	Balance, May 13, 1915..... 30.01
<hr/> \$624.05	<hr/> \$624.05

#### BILLS PAYABLE

Chas. H. Brown, Jr., Chairman, for traveling expenses, stenog- rapher, postage and telegrams.....	\$ 35.64
Buffalo Commercial Printing House for 500 programs of 1915 convention .....	11.00
	<hr/> \$46.64

The Chairman appointed Messrs. Phillips and Ryan a committee to audit the books and accounts of the Treasurer and report to the convention at a later session.

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#### THE YEAR'S PROGRESS\*

A. H. HAM, New York, N. Y.

The past year has been an unusual one for the remedial loan societies. One newly organized society was forced by an unfavorable court decision to postpone operations. Three months later it secured a license from a higher court but at the end of five months' operation was compelled to suspend business through a

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\*Not read at the Baltimore convention as Mr. Ham was unable to be present.

decision of the highest court of the state declaring the law under which it operated to be unconstitutional. Another member of the Federation experienced a serious defalcation by an employe and became involved in loans aggregating many thousands of dollars on insufficient security, through the action of its executive officer. It is not likely that serious loss will result but the experience was a trying one. A third member of the Federation is on the point of suspending business because of an unfavorable legal situation of long standing.

The industrial depression which has existed during most of the year and the abnormal amount of unemployment resulting therefrom might have been expected to make for increased business for the remedial loan societies similarly as the calls upon charitable institutions increased. In some cities the business of the remedial loan societies has shown a decided increase. In others the increase has not been up to normal. It is difficult to draw general conclusions but it is safe to say that in cities predominantly industrial in character, times of general depression do not bring to the remedial loan societies an increased number of the sort of applications that can safely be accepted. The number of applicants is usually increased but as the greater proportion of them are out of employment or employed on part time, the remedial loan society can not safely loan to most of them without evidence that they are likely to secure new employment within a reasonable time. It should always be borne in mind that the remedial loan society is not a charitable institution but a business organization. It has a distinct social purpose which should be kept to the fore at all times but if it is to accomplish the work for which it was designed, its practices must conform to sound business principles.

#### MEMBERSHIP

During the past year the funds employed by the members of the Federation amounted to \$16,496,365; 849,387 loans were made amounting to \$28,144,841. The rates charged borrowers on this amount of loans as compared with the rates commonly charged by pawnbrokers and loan sharks represent a saving to the borrowers of over \$5,000,000. The total loss incurred

amounted to \$22,290 or 8/100 of 1% of the total amount loaned, and 15/100 of 1% of the average loan balance. Capital increases on the part of member societies amounted to \$2,964,607, and five new societies with a total capital of \$342,125 were admitted. The new members are:

Portland Remedial Loan Association, Portland, Oregon;

Capital .....	\$36,000
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Provident Loan Society, Dallas, Texas; Capital.....	26,075
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Remedial Loan Company of Philadelphia, Pa.; Capital..	18,050
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Toronto Municipal Loan Association, Toronto, Ontario;	
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Capital .....	250,000
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Lynn Remedial Loan Society, West Lynn, Mass.; Capital	12,000
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Following is a statement of the operations of the members of the Federation during 1914 as compared with the preceding year:

	1914	1913	Increase
Number of loans made....	849,387	724,443	124,944
Funds employed .....	\$16,496,365	\$13,090,458	\$3,405,907
Average loan balance.....	14,259,347	11,444,178	2,815,169
Amount loaned .....	28,144,841	24,782,370	3,362,471
Amount repaid .....	25,599,720	22,909,713	2,690,007
Average amount of loans (pledge 29		34	*5
(chattels 62		63	*1
Net earnings .....	1,118,284	1,009,326	108,958
Expenses .....	706,246	650,731	55,515
Losses .....	22,290	21,492	798

\*Decrease

Six of the member societies make loans solely upon pledge security; 15 loan solely upon chattels; 12 maintain both pledge and chattels departments; six loan upon endorsed notes together with other security, and one loans solely upon assignments of wages.

Remedial loan societies are now operating in 35 cities in 20 states, the District of Columbia and the Province of Ontario. In a considerable number of cities the organization of new societies is progressing.

In addition to the organization of societies which are eligible for membership in this Federation, a considerable number of organizations are operating in various parts of the country which, while not conforming to the principles which have been set up by this body, have resulted directly or indirectly from our efforts during the past five years to improve small loaning conditions generally. These companies range from the purely stock jobbing, promotion scheme to the legitimate money-making enterprise. Many of them in their attempts to secure publicity and dispose of their securities do not hesitate to characterize themselves as remedial loan associations founded on the principles of this body. Very often they include in their prospectuses extracts from the reports of the Federation and from the annual reports of its member societies in an attempt to give the impression that they are of an identical character. The result is that considerable confusion now exists in the mind of the investing and borrowing public regarding the character of these agencies. This was to be expected and it is likely that this confusion will continue to exist for some time to come. Any organization—even though ineligible for membership in this Federation—if honestly conducted and loaning at a lower rate than is commonly charged by the loan sharks, is assisting in some degree in ridding the country of the loan shark evil in its application to wage earners, salaried people and others who occasionally need small loans in emergencies, but it is to be regretted that men of good standing in their communities should become associated with agencies which stoop to deceit and evasion in the matter of methods of operation and the actual rates which they require borrowers to pay. This Federation has stood for absolute frankness in the matter of rates and charges. It has sought to procure legislation legalizing a reasonable rate on small loans which, on account of the risk and high cost of operation, is necessarily higher than the usual banking rates. Any agency which pretends to loan at a rate lower than it actually charges only confuses the situation and retards the movement generally. It is to be hoped that certain publicity methods now in use will be modified; that such good as there is in the plans which are being put forth will be developed and the objectionable features removed.

## LEGISLATION

During the past winter bills designed to improve the small loan situation were introduced in sixteen states. In eight states: Oregon, Nebraska, Iowa, Texas, Michigan, Ohio, Pennsylvania and New York,—these bills were enacted into law.

The Oregon law amends the law of 1913 by increasing the annual license fee from \$50 to \$100. It permits a charge of 3% per month with a minimum charge of \$1 on small loans, and contains provisions for the conduct of the pawnbroking business not included in the 1913 law. In some respects the new law is an improvement over the law of 1913, but it is unfortunate that some of the safeguards created by the earlier law for the protection of borrowers should have been omitted in the new act.

The law enacted in Nebraska replaces the act of 1913 which was declared unconstitutional. It requires every person making loans at a greater charge than 10% per annum to be licensed by the secretary of state, filing a bond of \$2,000 and paying an annual license fee of \$60. The secretary of state is charged with the duty of examining licensed companies at least once each year. He has power to reject an application for license after a public hearing. Licensed companies are permitted to charge a rate of 10% per annum, a brokerage fee of one-tenth of the amount loaned and an examination fee of not more than 50c. on loans not exceeding \$50. If loans are made for a period of less than six months, the examination and brokerage fees are to be pro-rated according to the period for which the loan is made. On loans secured by pledge of personal property, no examination fee may be charged. The act contains many meritorious provisions but it is unfortunate that it was not deemed possible to authorize a flat rate without fees of any character.

The law enacted in Iowa is of little value. It makes it a misdemeanor, punishable by fine and imprisonment, to exact a greater charge on small loans than 2% per month, in addition to a fee for inspection and investigation. It does not change the legal rate of interest in the state, which is 8% per annum. The effect of the law is merely to provide a penalty for exacting more than a certain rate of charge, which in itself is

not legally authorized. It protects a certain type of loan agency from the danger of punishment for making illegal charges but does not give to the remedial loan society the legal sanction it deserves, and contains no safeguards whatever to protect the borrower from the exactions of unscrupulous lenders who are willing to go to any length, when necessary, in evading the law.

The law of Texas requires loan brokers, whom it defines as "persons lending money upon security of assignment of wages or chattel mortgage," to give bond to the state in the sum of \$5,000, to record their transactions in certain specified books open to inspection by the county authorities, and to pay an annual fee of \$150 to the state; it provides that no loan shall be made upon assignments of wages without the consent of the wife of the borrower, and imposes a fine of from \$50 to \$250 on loan brokers who violate the laws of the state. The act may be considered an opening wedge which may lead later to the enactment of a satisfactory law, but in no other respect can it be considered of much value.

The law enacted in Michigan requires license by local authorities of lenders making loans of less than \$300 in amount. Pawnbrokers are exempt. Licensees are permitted to charge interest at the rate of 3% per month on loans of less than \$100 and 2% per month on loans of from \$100 to \$300 with an additional fee of \$1 on loans of \$50 or less and \$2 on loans of more than \$50 respectively. The law falls far short of an entirely satisfactory measure. It contains no provision for state supervision and control and improperly excludes pawnbrokers from its provisions.

The law of Ohio makes it unlawful to exact a greater charge than 8% per annum without first having obtained a license from the superintendent of banks. Licensees must file a bond of \$2,000; pay an annual fee of \$100 to the state; submit to an annual examination by the superintendent of banks; give to each borrower a statement showing in detail the terms of his contract, and secure the signature of the wife on every assignment of wages given by a borrower. Licensees are authorized to charge interest at the rate of 3% per month on unpaid balances, and in

addition an inspection fee of \$1 on loans made for a period of not less than four months. In most respects this is an excellent law. The superintendent of banks is given sufficient discretionary power for a reasonable enforcement of the act. The inspection fee allowed in addition to a liberal interest rate would seem to be an undeserved privilege, but the chief objection to the law is that by an amendment adopted just before its final passage it exempts pawnbrokers from its scope. They should by all means have been included, for at present Ohio has no adequate pawnbroking law. In spite of this unfortunate exemption, the passage of the law is a distinct gain. Much credit is due to Mr. Hugh Huntington, an attorney of Columbus, Ohio, who assisted in drafting the original bill and worked unceasingly for its passage. The remedial loan societies in the state and Prosecuting Attorney Poulsen of Cleveland also assisted in securing its passage.

Pennsylvania enacted a law to take the place of the law of 1913, which, in March, 1915, was declared unconstitutional by the Supreme Court. The act of 1913 was a permissive rather than a regulatory measure. It permitted agencies licensed by the Court of Quarter Sessions to exact, in addition to interest at the legal rate, liberal brokerage and examination fees which were so imperfectly safeguarded against abuse as to make it possible for a really extortionate charge to be made under the law. The act of 1915 is a vast improvement. It permits agencies licensed by the Banking Commissioner to charge on loans of \$300 or less interest at the rate of 3% per month, when the loan does not exceed \$100, and 2% per month on loans of from \$100 to \$300 in amount, with an additional examination fee of \$1 on loans not exceeding \$50 and \$2 on loans exceeding \$50. The examination fee is chargeable only on loans made for a period of not less than four months and no charge of any kind in addition to interest may be made on a loan of less than \$50. Licensees are required to file a bond of \$5,000, pay an annual license fee of \$50, and submit to examination by the banking commissioner at least once each year. The commissioner is given power to reject an application for license if he is satisfied that the character and general fitness of the applicant is not such as to command

the confidence of the community or warrant the conclusion that the business will be honestly transacted in accordance with the law. For violations of the law the commissioner may revoke a license. Licensees are required to give each borrower a receipt for all payments made and a statement setting forth the amount still due and identifying the instrument accompanying the loan. Every person who violates any provision of the act, or lends money without license at a greater rate of interest than 6% per annum is deemed guilty of a misdemeanor, punishable by fine and imprisonment.

The chief defect in this law and one which may prove serious in connection with attempts to prosecute violators is the fact that the penalty section does not specifically forbid the charging of fees, bonuses or commissions in addition to interest by unlicensed agencies. In spite of this defect, it is to be hoped that this law will not share the fate of its predecessor at the hands of the Supreme Court of the State.

A law was passed in New York amending an existing article of the banking law regulating personal loan companies and removing the confusion caused by the passage in 1914 of two conflicting laws on this subject. The supervision of companies and individuals making loans of less than \$200 is now entirely under the control of the banking department which is given wide discretion in the enforcement of the act. An interest rate of 2% per month is allowed with an additional fee of \$1 and \$2 on loans of \$50 or less and more than \$50 respectively. Dividends are limited to 12% per annum. The penalty sections have been so expanded as to include every known device for evading the law and borrowers are amply safeguarded against mistreatment.

An excellent bill is now pending in the Alabama legislature which meets in July to complete its work.

An unsatisfactory bill passed by the California legislature was very justly vetoed by Governor Johnson.

The bill designed to relieve the situation in the District of Columbia which has been before Congress for a number of years again failed of passage. The present situation in the District is

intolerable and the supporters of the amending bill including the Monday Evening Club, the Retail Board of Trade and others, will energetically urge its passage by the next Congress.

Senator O'Gorman of New York introduced in Congress an excellent bill drafted by Assistant District Attorney Heilborn and United States District Attorney Marshall of New York, designed to prevent the use of the mails and express companies by persons carrying on an interstate loan business at rates of interest or charges forbidden by the laws of one of the states affected. This bill did not pass.

In the crop of miscellaneous legislation indirectly affecting the small loan situation are a law enacted in Pennsylvania providing for a semi-monthly pay day for city and county employes, to become effective January 1, 1916, and a law enacted in Texas providing for a semi-monthly pay day for employes of mercantile, municipal and public service corporations employing over ten people. This law becomes effective January 1, 1916. Similar bills were introduced in several other states but failed to pass.

Each year the number of bills introduced which limit charges on small loans to the banking rate of interest is decreasing. There is a marked tendency in legislation towards state supervision and the allowance of reasonable charges by licensed companies.

#### ENFORCEMENT

The constitutionality of many of the small loan laws recently enacted has been passed upon by the highest courts of the states. The Michigan law was declared invalid on account of a defective title. The Pennsylvania law of 1913 was declared unconstitutional on the ground that it was class legislation. In both of these states new laws have been enacted this year. The constitutionality of the sort of legislation of which the Federation is seeking to secure the enactment has been upheld by court decisions in Connecticut, California, Delaware, Florida, Georgia, Massachusetts, the District of Columbia, New Jersey, New York and other states.

The supervisor of loan agencies of Massachusetts was removed from office by Governor Walsh, who appointed in his

stead a man apparently well qualified to administer efficiently the duties of the office, and desirous of so doing. In a number of states officials have been active in prosecuting usurious money lenders. This activity has been marked in Cincinnati, Columbus and Youngstown, Ohio; Richmond, Virginia; Chattanooga and Memphis, Tennessee; Paducah, Kentucky; Houston, Texas, and particularly so in Cleveland and New York.

Among the cases of special importance are the following:

a. The extradition from Massachusetts and conviction of a notorious money lender in New York City who had been in business for many years and had previously succeeded in escaping prosecution. In connection with this case a decision was obtained from the Appellate Division of the Supreme Court of New York vacating judgments obtained by confession, on the ground that the device employed by the lender of making loans to New York borrowers from an office located in Boston was a "mere subterfuge to evade the usury laws of this (New York) state."

b. That of a so-called insurance company in Ohio which was conducting a business of endorsing notes for small borrowers and charging exorbitant prices for this service. To escape conviction the owners of this company cancelled chattel mortgages amounting to more than \$100,000 which they held against fifteen hundred individual borrowers.

#### CREDIT UNIONS

Interest is increasing very rapidly in the subject of cooperative credit, both rural and urban. The credit union idea, which is the form that cooperative personal credit is taking in this country, has already been given legal sanction in Massachusetts, New York, Texas, Wisconsin, North Carolina, and Kansas. It is not yet an assured fact that the credit union, as defined by the laws of these states, is capable of meeting adequately the short-time personal credit needs of the farmer, but there is not the slightest doubt, in view of the demonstration made by the credit unions operating in cities in Massachusetts and New York, that the idea possesses tremendous possibilities in the direction of

encouraging thrift and providing emergency credit for wage earners and salaried people in cities and towns. Although the credit union law of New York as amended by the act of 1915 has been in operation only a few months, the employes of a number of large industrial and mercantile establishments have already associated themselves in the formation of credit unions and it is confidently expected that the number of unions in operation in New York, Boston and other cities will be greatly increased during the coming year. The credit union is an ally of the remedial loan society and deserves the active encouragement and support of this body.

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### TRAVELING AUDITOR

The following letters from Mr. B. F. Schlesinger, Chairman of the Executive Committee, San Francisco Remedial Loan Association and Mr. J. K. Hexter, President of the Provident Loan Society of Dallas, Texas, were read:

April 2, 1915

MR. CHAS. H. BROWN, JR., Chairman,

The National Federation of Remedial Loan Associations.

My dear Mr. Brown:

Your favor of March 24th has been before me for some time, and I regret that neither Mr. Auger nor myself will be able to attend your Baltimore convention. We are sorry that you are not holding your convention here this year, for certainly we are entitled to be called the Convention City for this once, and we believe that if the National Federation of Remedial Loan Associations should hold a convention in this city, it would be of inestimable good to the far west as well as to you.

You ask my ideas of a traveling auditor. They are as follows: First, most of us are young. We depend wholly on our local managers and in our own association, for instance, have only a yearly or half-yearly audit of the books. No auditor we know is competent to compare the pledges with the books, nor determine what the value of the pledges is.

Our organization, and we imagine many others, can not afford to segregate its work, (as done by the Provident Loan Society of New York), nor can we afford to employ the talent necessary to give us the assurance that we should have, that the pledges for which loans are made are on hand; that the amount loaned on the pledges is a safe one, and that the details of the loan business are properly conducted.

To have this assurance requires an expert auditor and an expert appraiser, and our association believes that there are enough members of the National Federation of Remedial Loan Associations to permit the employment of a traveling auditor and appraiser by the year and loan his

services for audits to the members of the Federation who desire them, at cost plus a reasonable overhead to take care of such time as he may be unemployed. Such a man would be of vast help in standardizing our business, its forms and usages.

On our part, we would like to make arrangements to have a yearly audit by such an expert and would be glad to pay his expenses and a reasonable sum for his services. If enough members would agree to make use of the services of such a man, it would be relatively inexpensive for each. We would strongly urge upon all members of the National Federation of Remedial Loan Associations that they agree to employ such a man, and we should be pleased to hear that they do.

Very truly yours,

B. F. SCHLESINGER

April 24, 1915.

National Federation of Remedial Loan Associations,  
Baltimore, Md.

Gentlemen:

In compliance with the request of your secretary that I present by letter in more extended form, a suggestion already made to him in reference to a traveling auditor system to be inaugurated by you, by which the several offices of constituent members may have the services of competent auditors for the purpose of making complete analyses of the affairs of such offices, including an audit of the books and an appraisement of the merchandise on hand, I submit for your consideration the following:

Based upon the assumption that one of the primary objects of the Federation, as designated by the constitution, is cooperation and mutual assistance, I cannot comprehend any work along this line which would be of more practical value than the proposed system of traveling auditors, meeting, as it would, an actual necessity for the proper conduct of our business which is not obtainable otherwise. These remedial loan offices have been generally instituted along semi-philanthropic lines, and usually the executive is some busy man who is largely dependent upon the personal knowledge of his manager—who has been generally selected on account of previous experience—of a business of which few of the executives have any direct knowledge.

It is not to be denied that an audit is an essential requirement in correct administration, and it will also not be denied that especially in the small places it is impossible to obtain reliable and correct service for proper audits. The operation of the business and the knowledge gained from its conduct is generally confined to a class of people who are themselves not reliable, and as the effectiveness of an audit depends upon the knowledge and experience obtained only in the business itself, it can be readily seen that an office such as ours would be compelled to have recourse to a pawnbroker office to obtain someone who would be qualified to do the work. This is neither desirable nor feasible, for the audit should be made by someone not engaged in a competitive business who would be free from local influence and association. The condition as herein outlined attaches to at least thirty of the thirty-eight constituent members of our Federation, and it is in behalf of this great number of associations that I think a system should be devised by which the services of competent auditors could be obtained.

The expense of such a system as is proposed could be covered either on a per diem and mileage basis, or on a per cent assessment basis:

1. On the amount of the capital stock
2. On the amount of outstanding loans
3. On the number of loans

On any of these three bases the per cent of cost would be very small, and I believe that as the business of remedial loan societies is extended, as conditions are constantly demanding, the necessity for the proposed method of auditing will become more and more apparent.

The larger places throughout the country have offices established, but it is in the smaller towns ranging from 75,000 population upward that these offices are yet to be established, and as fast as they are instituted the requirement of an efficient auditing system will become apparent.

It might be possible in carrying out this idea, in order to have the work done at the least expense, to divide the territory into zones, one out of New York and the other out of Chicago. In the larger places there could be readily found present employes connected with our remedial loan offices, who are well adapted by experience to make honest and efficient auditors. If it were determined to introduce the system on a mileage and per diem basis, the zone plan would be far preferable on account of short distances, and if the per cent. plan were adopted the virtue of the zone plan would be quicker service.

To make special application of this thought, I find that in the case of The Provident Loan Society of Dallas, now only ten months old, my directors, very correctly, are asking that an audit be made of the company's business. I have endeavored to find some suitable person to make such an audit because I believe the suggestion is correct and should be carried out if possible. I am, however, unable to find such a person unless I go to a competitive pawnshop, and this I cannot do, believing, as I have stated, that such a person as I could employ would be lacking in honesty and reliability, which would seriously affect the thoroughness of the audit.

I regret exceedingly that I am not able to present these views in person, and trust that some definite action will be taken toward the establishment of this service as a branch of the National Federation work.

With best wishes for the success of the convention, I am,

Sincerely yours,

J. K. HEXTOR

MR. TUCKER:—The subject of a traveling auditor interests me very much because I feel that we should establish some method by which the affairs of these societies can be reasonably checked up and presented to their trustees and stockholders and to the public, as a guarantee of the soundness of the whole movement. I consider this question to be fundamental to the permanent success of this movement. It involves so much that it is difficult to make a beginning.

Let us consider for a moment the disasters which have taken place among the members of this organization and in outside

organizations—disasters which point first to an inadequate system of accounting and reporting the affairs of the organizations, and in the second place to the lack of such outside audit as would give the governing body knowledge of what is going on. In most businesses some member of the board of trustees or board of directors has special knowledge of that particular business and is qualified to judge. This is not true, as a rule, in the case of the remedial loan societies, but I hold that unless there is the right kind of interest on the part of the directors and unless there is presented to them in an understandable way the knowledge which must necessarily be the basis of their judgment, disaster is very likely to happen.

In our own group the notable case which occurred this year was that of robbery by an employe through collusive loans and actual defalcation by the executive officer. I speak now on the basis of newspaper reports. In respect of collusive loans I pointed out to the executive several years ago what was likely to happen. Of course his own part in the situation was a surprise and yet it represents a possibility that lies in every society unless there is an audit by an outside independent authority. It makes no difference, as I see it, whether the organization is one loaning upon pledges or mortgages or endorsed notes. The essentials of the audit are the same.

A proper audit requires two different kinds of ability and it is rarely that you will find them in the same person. First, there must be such an audit of the books as will present to the directors certainty that the accounting system really discloses all of the operations of the business and that the business is conducted honestly—that kind of ability can be obtained locally in almost any community because the recognition of the need of the work of public accountants is spreading all over the country and it is rarely that any city of considerable size is without an accounting firm of reasonable ability. Second, there must be an audit which will determine and which will certify to the governing body that sound judgment is being exercised in making loans. This is a special knowledge and, as I see it, it must be acquired in a different way. Someone interested in the organization must develop a reasonable amount of that knowledge—at any rate to

the extent that he will be able to pass a fair judgment upon the efficiency of those charged with the responsibility of making the loans.

I contend that in order to determine the essentials it is necessary that there be what one might call a reasonable and proper antagonism between the operating office and the board of trustees. I do not mean to say that it should be an antagonism of suspicion or an antagonism in policy but it should be a setting up of question on one side and answer on the other. How is this to be obtained? It seems to me that every governing body of a remedial loan society should have a secretary who devotes some of his time, either in a paid capacity or in a volunteer capacity, to the affairs of the organization, and that through him the governing body should raise its questions which should be answered by the executive. I think it is bad organization and one that is likely to lead to disaster where the executive is also the secretary of the board of trustees and where the board of trustees centers everything in the executive. It develops a condition of one-man power which we have seen in the case of one society resulting disastrously.

References have been made to the methods of the Provident Loan Society of New York. As our affairs are so large and as we have different departments that are a check on each other, we have our own audit, but we also have outside audits every month as in the Chattel Loan Society of New York. The outside auditors certify as to the soundness of the accounting system in that it sets forth all the pertinent facts of operation. They also certify as to the correctness of the accounts, and this, of course, involves certification as to the honesty of everyone connected with the active administration. I believe that every society, whether it has \$5,000 or \$100,000 or \$1,000,000 capital, should have that independent audit—not once a year or twice a year, but every month—and that the reports of that audit should be made known, not to the executive officer, but to the president or the secretary of the board. This, I think, is absolutely fundamental for permanent success. I believe it is disastrous to have all knowledge, all power, all control centered in one individual. I will not have it in my own case.

I am frequently asked by members of the board: "What will become of the society when you step out?" And I answer: "The Provident Loan Society is an institution which will go on no matter who steps out," and that is the only form of organization which will ensure permanency, I do not care how small or how large it may be.

As to the matter of audit to establish accuracy of judgment on the part of the executive officer and his subordinates engaged in making the loans, there is one test that is automatic—one test that will bring to light any bad condition. It is true that we do not want to wait for that test because in the meantime something disastrous may occur. The test is one of failure to repay which brings the necessity for realizing upon the collateral deposited. If you have an adequate accounting system your percentage of losses will be shown, but it is necessary that there be tests of judgment other than the automatic one of failure to repay and consequent realization on collateral. How can you bring this about?

A traveling auditor system would require two kinds of auditors: one who could pass upon the judgment used in making loans; the other to audit the books and accounts and determine whether the business is being honestly conducted. This would be too expensive. The value of collateral varies in different communities and a man would have to have very exact knowledge of the values of various types of collateral. I believe that for small societies there can be devised a test which is quite within their control.

Men who are on the board of trustees cannot rest with organization and the appointment of an executive and then trust to good fortune to bring success. It has been done that way but that is not the history of the Provident Loan Society of New York and is not the history of any of the organizations that have stood the test of time. There must be an active interest on the part of some members of the board of trustees. It is comparatively easy for some one representing the board to acquire a sufficient amount of knowledge of values to make certain tests periodically. It is almost an impossibility to examine every loan, but a sufficient percentage of various kinds of loans can be ex-

amined by a committee of the board or some one representing the board, which will indicate, in connection with the automatic tests of realization upon collateral, to what extent the judgment of those making the loans is sound. I know that there would be a very great sense of security on the part of men like Mr. Schlesinger if they could have the assurance of an expert who is making an audit, but as there must be two types of check—that of the accountant and that of the appraiser—the cost, when traveling expenses are included, would, in my judgment, be prohibitive, and I believe it is unnecessary because audit service ought to be obtained and developed locally at a moderate cost. It is surprising the extent to which certified public accountants will take an interest in and contribute their services to social service organizations at a very moderate cost. The School of Commerce and Accounts connected with New York University has volunteered to audit, without charge, the books of any social service organization in New York City that cannot afford to pay for it. I think the same sort of spirit will be found in almost any of our communities if the problem is properly presented.

I urge every one of you to think of your particular society as an institution which must go on whether you are here or not, and so to organize it as to make it possible for it to go on whether you are disabled by illness or accident or removed by death. While at the moment it may seem as if our society must necessarily be a one-man institution, yet we can establish the fundamentals which will make it an independent organization if we will only make the effort to develop interest on the part of those having trained knowledge; to check up ourselves and make such reports to our governing bodies and to the community at large as will show that our affairs are honestly and fairly administered and that they are accurately stated.

THE CHAIRMAN:—It will be well to have the ideas of as many of the members as possible on this subject. The topic is open for general discussion.

MR. FINLEY:—Have any estimates been made of the cost of maintaining a traveling auditor? He would have long distances

to travel. One stretch would be from Portland, Ore., to San Francisco, Cal., and the next to Dallas, Tex. I do not think any man here would attempt to argue against anything Mr. Tucker has said as to the necessity of this work but the crux of the whole proposition is, how much would it cost?

MR. TUCKER:—My presentation of the case was intended to dispel the idea that a traveling auditor is financially possible. My whole point is that this work can be done by local talent at moderate prices. I do not believe you need traveling auditors or that they can be maintained at \$10,000 a year. It is entirely possible to have just as good an audit locally, and at a moderate expense, as any traveling auditor could make.

MR. PHILLIPS:—In New York we have the audit of the state superintendent of banks.

MR. TUCKER:—How many members of the Federation represented here to-day have their accounts audited monthly, quarterly, or annually, by outside certified public accountants who make a report accompanied by a financial statement to either the president or the treasurer or some other officer of the governing body outside of the executive office?

Show of hands indicated three, monthly; two, quarterly; and about fifteen, annually.

MR. TUCKER:—I maintain that a six months' or twelve months' audit is of comparatively little value to the board of trustees. All sorts of things may happen in the intervening period. Of course, to know whether an audit is properly made or not, one would have to see the auditor's certificate. There are all kinds of auditors. An auditor is very exact as to what he says and you must examine his certificate very carefully to know just what he has done.

MR. DAVIS:—A traveling auditor for chattel loan societies would be of little value because he would have to visit each home to find out if the security were there, and that would be impracticable. The board of directors has to trust more or less to the honesty of those in charge. The secretary of the Newark society goes over the accounts monthly. He compares the notes

and mortgages and makes a monthly financial statement. In addition I am required to make a monthly report to the directors of every account overdue in interest or principal. In that way the board knows just where we stand. The directors take an active interest in and rely principally on the report of the secretary and the honesty of the manager, who, in turn, has to depend on the appraiser whose business is to understand what value is to be given to the chattels. Each society should have a proper audit, but I agree with Mr. Tucker that a traveling auditor is out of the question. No chattels society can hope to have an audit which will show whether adequate security has been given for each loan made.

MR. FERGUSON:—Loaning upon chattels in New York City is largely a moral risk. We do not depend upon security but upon the borrower's integrity and moral responsibility, and that cannot be appraised by a traveling auditor.

THE CHAIRMAN:—The question has been raised by societies loaning on pledges in cities where it is apparently difficult to employ anyone competent to examine the value of the collateral. Their idea is that the Federation should bear the expense of examining the collateral of all of the societies loaning on pledges so as to determine whether loans are properly made. This is entirely apart from the question of accounting. We all apparently agree that we cannot consider the employment of a traveling appraiser. On the other hand, the question of an audit of accounts appeals to many of us. It would be of inestimable value to the majority of the members to have the services of an auditor to give us a monthly or bi-monthly audit of accounts. It seems to me that it is worth considering. I do not believe the question of expense would enter in to any extent.

MR. TUCKER:—The adoption of a uniform system of accounting which will disclose all the essential facts is a necessity. Auditing will then be a matter of checking up to see if the entries were correctly made and if the operations were entered in accordance with the system of account.

MR. FINLEY:—In the chattels business the moral risk is an important thing.

THE CHAIRMAN :—You cannot audit that security.

MR. TUCKER :—That audits itself.

MR. MAPES :—I agree with Mr. Tucker that it would be quite impossible to get one man who would be able to audit accounts and to make appraisements. Passing upon the value of chattels as a part of the audit would be quite impossible. The nearest approach is to check the chattel mortgage with the payment. To go further a man would have to go to the home of each borrower and see all the different conditions. As regards pledges, it seems to me that it is comparatively easy to devise a method of checking the accounts. A monthly audit has been suggested. We now have 40 societies. It would be impossible for one man to get around to all of them and, besides, the traveling expenses would be very heavy. It seems to me that \$10,000 is a conservative estimate of the cost of maintaining the traveling auditor plan.

MR. FERGUSON :—When a man applies for a loan we send an appraiser to his house. If an auditor were to re-appraise the security he would have to go to the home again. This would not only be very expensive but it would also be a very delicate matter. Sometimes there are children or friends in the house and the husband and wife naturally do not care to have them know that a loan has been made.

MR. TUCKER :—I would like to suggest, in order that we may all have the same conditions in mind, that we discuss this problem in two parts: first, the problems of audit in a chattel loan society; second, the audit problems in a pledge loan society. They are quite different. In one case the account audit takes precedence; in the other the appraising audit takes precedence, though both are of great importance. I think if we separate the discussion into these two parts we can get a better idea of the problem.

THE CHAIRMAN :—That is a good suggestion. The feasibility of a traveling auditor is somewhat connected with the topic of uniform systems of accounting.

MR. TUCKER:—This discussion will lay a good foundation for the papers to-morrow.

MR. RYAN:—In Detroit we pay an auditor \$25 to make a monthly audit. He makes a statement of delinquents and a general statement of our condition to the treasurer. He is a professional accountant. When it comes to determining the value of the security for loans, the only way to find out whether appraisements are too high is to scrutinize the losses. The actual sale is the only real test for this in my opinion. A traveling auditor cannot find it out.

MR. FERGUSON:—Time determines the value of the property.

THE CHAIRMAN:—We are getting far afield. We should not discuss the feasibility of audit so far as it refers to the appraisement of security on chattel mortgage.

MR. MAPES:—If we had some central bureau that could get figures for the societies every month and have percentages worked out, many things might be shown up.

MR. BURNHAM:—I think all we need is an outside auditor to check up mortgages and notes to see that each loan is represented by an actual mortgage. A report might be made in detail of original appraisal, amount loaned, date of loan and date of sale, and amount realized on sale, and from this percentages could be worked out. I often loan up to 100% of the appraisal. The amount of the loan really depends upon the appearance of the home. I sometimes take an endorser and loan more than the value of the security.

MR. STROUP:—The only chattels we have sold were goods in storage, the owners of which had gone away. We notify the owners at their last post office address and have to bid the goods in ourselves. We have auction sales but often we cannot get the prices required and we have to hold the property for the proper season.

How often should we have an audit? In the pledge department, I think, every month in the year. It is a question of how long you will give a man to get away with your money.

MR. MAPES:—I do not favor a monthly audit for chattel societies. If auditors came in every month they would materially block the work. From the auditor's standpoint it is also difficult. It is difficult for the appraiser. A quarterly audit allows more leeway to take care of the work properly and I should very much prefer it to a monthly audit.

THE CHAIRMAN:—It is apparently the sense of the convention that an outside appraisement of pledges is feasible and necessary; that all societies should be frequently audited, but that the employment of a traveling auditor by the Federation is out of the question.

MR. PHILLIPS:—The responsibility of the officers and directors is important; they ought to take an active interest in the society's operations. The directors of some societies do not appreciate this. I am fortunate in having an executive committee which is keenly interested. Before being made, all loans are passed upon by the executive committee, which is not paid for its services. I take the application, appraisement is made and then I present to the committee a statement of reasons for making or declining the loan. This method provides a check as to the character of the loan. It delays the work but it is worth it. It brings the directors in touch with the character of loans and with the workings of the society so that they know practically as much about the work as I do. It is fully as effective as a monthly audit. I make a monthly statement of delinquencies and am prepared to answer any questions the directors care to ask. Every month I check up borrowers to see that they have not moved away. Mr. Tucker, are your pledges checked up?

MR. TUCKER:—Yes. We have three supervising appraisers whose whole work is in re-appraising the pledges and attending the auction sales. They make reports of every loan re-appraised. The result of the system is the development of a standardized judgment which is a difficult thing to obtain. Our losses are small and, as a rule, very consistent. They follow a certain line of articles.

MR. PHILLIPS:—Do you make loans on commercial paper?

MR. TUCKER:—We do not. The loans in which the executive officer of the society to which I referred early in this session was personally involved, were loans made on mining stocks which depreciated in value. Loaning on such securities is an entirely different business from that of loaning upon pledges. No society should undertake both except in separate departments.

The Paris institution, the Mont de Piètè, loans on securities, but such loans are limited and are made principally on the obligations of the municipality itself. The directorate has petitioned the French legislature for authority to extend that department. Just why they should want to carry on that class of loans in view of the very highly developed banking system of France, I cannot understand. Banks loan very small amounts in France. Our people are not investors in small securities as are the French and German people. If we could only bring about that condition in this country the small loan problem would be largely solved, but the moment you attempt it your face is set against the savings bank. The savings bank system in this country is the great investing system for the small man. In foreign countries he invests directly instead of through the savings institutions. There the great banking institutions have many branches and combine a large variety of fiduciary acts which are performed here by separate institutions. They do a safe deposit business, accept deposits, make small loans, etc. I do not understand why the Mont de Piètè wishes to develop loans on securities. Unless it is done through a separate department with expert knowledge, as in Paris, it should never be undertaken. Otherwise, disaster is almost sure to follow, as in the case of the Boston society of which I have spoken. The Provident Loan Society has discussed it but we have decided that it is a banking function and not ours. It would mean the creation of one institution within another.

MR. BURNHAM:—The losses of the Boston society, to which Mr. Tucker has referred, came through loans made upon Nevada mining stock. As I understand it, Mr. Cobb, the president, was advised by a friend to invest in this stock. He personally put in \$20,000 and then loaned the funds of the bank to the extent of \$60,000; loaning at \$1.50 per share when the market value was

\$3.50. The value of the stock dropped to 60 and now it is 90. It is legitimate mining property and I do not think he intended to do anything dishonest.

As regards the pledge department audit, I think Mr. Tucker is right. We must devise some means of checking up securities.

We employ a local jeweler at \$120 a year to appraise our pledge loans—that is, I call him in occasionally to verify my own judgment. I have never had our own pledges re-examined by an outside party, but I shall have it done now as the result of Mr. Tucker's suggestion, for my own good and for the protection of the directors.

MR. TUCKER:—There were two entirely different kinds of losses in the Boston society. One was the condition that Mr. Burnham has set up where Mr. Cobb loaned money to himself upon mining securities. The other was the condition where collusive loans amounting to from \$20,000 to \$30,000 were made and the collateral abstracted. If we are discussing the problems of an efficient audit for a pledge society we should separate the two problems that are involved.

The first question that the governing board is interested in is this: Is the collateral in the vaults? The reason for the defalcation in the Boston society was that it had no adequate system of audit which told periodically whether the collateral was in the vault, and I told Mr. Cobb some three years ago that unless he devised a system of audit which would tell him that the collateral was there, he would some day find that the collateral was gone. He said there was no one man living who knew that the collateral for all his loans was in the vaults.

The second question is this: Has sound judgment been exercised in making these loans? Our society found a loan of \$2,300 made entirely in violation of the rules of the society, where the collateral sold realized \$300. That is one kind of collusive loan, and is dangerous because, in the event of the prosecution for a criminal act, the one making the loan can always fall back upon the statement that he exercised his best judgment—that the loan was made without criminal intent, but that his judgment was bad. It is a matter for constant vigilance and safeguard.

In the matter of auditing with a view of determining whether the property is in the possession of the society, it is possible, in the case of a small society, to determine whether a very considerable percentage of the collateral is there by direct examination. In the case of a large organization an audit which will check up each package as it is deposited is impossible, but constant redemption is always bringing to light the existence of the collateral. To determine whether judgment has been exercised in making the loans there should be a checking up of collateral in a fairly large percentage of cases and an examination and re-appraisement. If you have honest and efficient people, you will not have trouble.

Now as regards commercial organizations which have been started for a variety of purposes since the remedial loan movement began. I had a visit a short time ago from two new directors of one of the loaning organizations that were started in Philadelphia. It was an experience that opened my eyes to the extent of near financeering. About eight years ago a man came to me bringing letters of introduction from a prominent paper in Philadelphia. We placed all information at his disposal. Later we found that all the information given had been misused, prospectuses giving an erroneous interpretation of the facts of our work had been circulated and a stock jobbing society organized. This man made an agreement with the board of directors by which he was to receive as promotion fee everything over \$8 realized from the sale of shares having a par value of \$10. He sold stock as high as \$12 on the promise of large dividends and made \$100,000. He was not satisfied with that, so through various kinds of collusive loans and defalcation he robbed the society of \$60,000 more and now they are face to face with financial disaster. I am told that another organization in Oakland has had practically the same experience.

In the Philadelphia case the investors and directors were interested only in 12% dividends and put everything in one man's hands. I told one of the directors who is an officer of the Pennsylvania Railroad that it serves him and his associates right. He thought that I was very unfair. I said, "You can have our help when you have re-drafted your by-laws and made your-

selves a remedial loan society—when you have made declaration that your interest is something more than financial. Until then you cannot have help from us." I use these outside examples only to show that the whole situation runs parallel. Unless the organization is right, the possibility of disaster is always there.

It was voted that a committee consisting of Messrs. Mapes and Pond draft a report embodying the sense of the meeting on the subject of traveling auditor and present it for further discussion at the Friday afternoon meeting.

Meeting adjourned until 2:30 p. m.

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#### Second Session, May 13, 1915, 2:30 p. m.

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### REMEDIAL LOAN SOCIETIES AND UNEMPLOYMENT

D. H. POND, Cleveland, O.

In treating this subject I have considered it entirely from the point of view of the society making chattel mortgage loans. While in a measure, other classes of loans are influenced by unemployment, the majority of the unemployed have only their chattels on which they can secure needed loans.

The greatest problem the remedial loan company has to deal with is that of unemployment, and contrary to the general impression it does not profit through unemployment due to general industrial depression.

In considering the subject of unemployment we can divide it naturally into several divisions according to the causes of unemployment, and we will find that the problem of the remedial loan company in loaning money to the unemployed will be different in each class and the effect on the business of the remedial loan company of unemployment among those to whom it had loaned when they were employed will vary in like manner with the causes of unemployment.

1st: Unemployment due to personal reasons over which the employe exercises more or less control and in which unemployment is not the result of a lack of opportunity to work. Among these causes we have sickness and accidents over which the employe has little or no control. We also have laziness, drunkenness, shiftlessness and indifference, over which the employe has full control.

2nd: Seasonal unemployment. This affects the class in which we find painters, paperhanglers, masons, plumbers, and to a more or less extent all those connected with building trades where the elements influence the conditions that make for or against employment. We also have suit and cloak makers, milliners, etc.

3rd: Unemployment which is the result of general industrial depression. This affects the great mass of unemployed with whom future employment is uncertain.

Before entering upon the discussion of unemployment in its relation to the remedial loan company it might be well to state my belief that no loan can be of benefit to a borrower and is rarely profitable to a company unless it is what we may term a constructive loan. Non-constructive loans have in many localities been the field particularly exploited by the loan shark. They have been profitable to them because of their excessive rates, and yet their oppressive measures among a class of borrowers whom they were not benefiting have been their undoing through an aroused public opinion of which our Federation is the exponent.

A loan to be constructive must in some measure materially aid the borrower in bettering his condition in more than a temporary way. A loan that will relieve worry, such as that incident to the harassing demands of a creditor, when such loan is more than the shifting of the collection to the shoulders of the lender, is constructive. The relieving of a temporary demand when there is no prospect of the loan bettering family conditions is not constructive loaning.

A loan to an unemployed person to pay an insistent creditor just because he is being pressed for payment by the creditor is

only a means of shifting the account from the creditor to the lender, with the added burden to the borrower of having to pay interest. This same loan becomes constructive as soon as this man has secured employment as he is then in danger of the creditor's bringing court action to secure payment. Every time an employe is drawn into court by a creditor and his wages are garnisheed, he is liable to lose his position, for unfortunately many employers strictly enforce the rule of discharge under these conditions. The loss of time incident to attending court is a material item to the debtor and too often he believes it necessary to have an attorney represent him, which makes an additional expense. There is also to be considered the expense of court costs which in many instances exceed the amount the creditor can collect by means of the garnishee.

When a family's manner of living proceeds along an even balance of earning and expenditures, when bills that accumulate between paydays do not exceed the income on the periodical paydays, we can say the family is living normally. When work ceases, expenses unfortunately do not cease and the bread winner must immediately secure employment or a readjustment of the family standard must result. To what extent this readjustment will obtain, depends greatly on the industrial conditions existing at the time. The normal family during normal conditions unconsciously establishes a standard of living with its income as a basis for fixing the standard. If the members are frugal they will save a little each payday for the unexpected. This is one of the best types to deal with when the time comes that makes borrowing a necessity.

Another standard is that of the family that lives just within its income and if any surplus remains after the current bills are paid usually spends it.

Another standard is that of the family whose expenses are always just a little more than its income and which is always in debt.

Another standard is that of the family which has assumed obligations that it can not fulfill; the family which has purchased a home and has agreed to make payments larger than its income justifies is an example.

Another standard is that of the family whose members believe that the world owes them a living whether they work or not. If they owe money they believe that they are justified in forestalling payment as long as they can and if they have money they spend it for such purposes as will bring the most pleasure and for which they can not secure credit.

Another standard is that of the family whose income is less than will supply the actual necessities of life and which depends on sources outside of its own income to fill out the deficit.

If industrial depression continues long enough each of the various standards are gradually lowered until they are all in the latter class—dependent on outside sources for their maintenance.

How is the remedial loan company going to protect itself and at the same time make constructive loans to any of these families of varying standards when they are on the decline? It is evident that before we can make a constructive loan we must be satisfied that the loan will stop the decline and must succeed in confining loans to families having one of the first three standards, otherwise our organizations also become victims of unemployment and we succeed only in doing what any charitable association could have done, that is, relieving an urgent temporary demand.

Men who are naturally honest will, in time of great financial stress, do many things to obtain money or defeat the collection of money loaned that would be repulsive and abhorrent to them under less trying conditions. Many men and families who have always been considered honest will attempt to obtain loans by misrepresentation and deceit, will use wrong names or will misspell their own names, will misrepresent the ownership of the security, will swear that the security is free from other liens when it is mortgaged, and use other manner of deceit if they believe by so doing they can secure a loan. It is surprising that they do not recognize the fact that the remedial loan company meets with this condition daily and that to secure a loan by misrepresentation they must evolve some new plan that the company does not know about. The greatest loss and greatest expense come from those who have secured loans and try to evade or

defraud the company by selling the security, moving it out of the county where the loan was made, or moving into a distant part of the city and changing their names, thereby hoping to conceal themselves from their creditors. As a rule, such borrowers attempt to justify their action by their necessity. They say that they only wanted to secure time to work out their financial affairs in peace. Undisturbed peace generally results in the borrower's forgetting the lender entirely.

Another feature, of which the public has little knowledge and the borrower no appreciation, is the trouble, loss of time and expense which results from failure to arrange for necessary extensions of time for making payments. Take a \$50 loan as an example. The average profit on this loan if paid promptly varies somewhat but is about \$.25 per month. If the lender is compelled to make one call a month on the borrower at the end of the year this loan will show a loss of \$1.80 instead of any profit. On the other hand if the borrower cannot make his payments when they fall due and will call at the office and give the required information, extensions can be granted and the loan carried with little if any expense other than its proportion of the general overhead.

There are many times that the lender will expend more time in collecting, or locating the security of a delinquent borrower, than the claim amounts to. While time spent is never figured as a loss in the yearly statements of the company, it is, nevertheless, a fact that the lender could with profit to himself charge to profit and loss many delinquent accounts, for the cost of collection will amount to more than the claim. However, this cannot be done because of the moral effect on other borrowers.

The remedial loan company knowing the many things that happen to borrowers already on their books and in many of whom they have heretofore had confidence, should not be expected to meet with open arms the unvouched-for unemployed during general industrial depression. The lack of employment under normal conditions is a suspicious circumstance and its reason must be thoroughly explained. Yet there are many legitimate reasons for unemployment, such as sickness, etc., and if the investigation shows that the cause of unemployment is a

reasonable one and that the term of unemployment will be limited, I have found that such loans can be safely made. I have found that unemployment resulting from personal reasons can be readily provided for with the great majority of honest borrowers. The plan is to have them report at the office at stated intervals and make definite arrangements for definite extensions not exceeding one month at the end of which time a further extension is arranged if necessary, based on the conditions existing at that time.

It goes without saying that when unemployment is due to reprehensible qualities such as drunkenness, laziness, loose living or shiftlessness, the loan should not be made. Too many times, however, the applicant makes a good impression until he has secured a loan. He misses a few payments and we send an inspector to learn why. We may not learn the true reason the first time the inspector calls but if we call often enough we are bound eventually to meet the wife just after a family row when she will disclose to the inspector all the bad habits and traits to which her husband is addicted, and perhaps draw on her imagination for a few that she anticipates will develop later. If our only object is to secure the return of our money, eliminating all interest in the family welfare, our course is plain, and that is to learn this borrower's paydays and have an inspector meet him when he has money on his person. Very few men are so advanced in evading creditors that under these conditions they can successfully evade payment when they know that the inspector knows that they have money in their pockets, and a good inspector intuitively knows how to coax an equitable division of his money. This method is not only expensive but is very annoying and should only be used with borrowers who can pay but won't pay unless they have to.

There is another plan that can be followed with profit to the borrower and the community at large but is very expensive for the lender. It is a system of supervision or guardianship over the borrower. This can sometimes be accomplished by having repeated talks with the borrower and arousing in him ambition to accomplish something and make something of himself. Many times a call on the judge of the juvenile court or the

police judge will have a moral effect and, through the instrumentality of the parole, accomplish a betterment of conditions. The Economy has many cases of this kind to its credit. Many men are delinquent because they believe they are friendless and as soon as they have some one to whom they feel they are responsible and by whom they wish to be considered honorable they will make an attempt to appear honorable to them.

The unemployed man who has never had a loan before generally applies to you after he has tried every other means of raising money necessary for his immediate needs. Generally speaking the most pressing need in cases of this kind is house rent—money to keep a roof over the heads of the family. Let us take it for granted that after our investigation we would, under normal conditions, grant the loan. We must then consider the problem of the borrower's reconstructing his standard of living; that is, we must ask ourselves how soon will he be able to secure employment, and if he does not secure employment soon will he be able to maintain himself in his present standard of living, and if not, what will be the results?

The remedial loan company cannot make a loan with any degree of safety unless the security given is safeguarded by the family's maintaining a home and keeping the furniture in use. If, as soon as the money loaned is used up, the borrower faces the same problems that confronted him when the loan was made, not only the borrower but the lender as well become the victim of the condition of unemployment and the borrower is not materially aided. This borrower will have to lower his standard of living unless he secures permanent help or employment. If he fails in this the condition works to the material disadvantage of the lender. The borrower knows he has mortgaged his personal effects and not knowing the policies of the remedial loan company, naturally and erroneously jumps to the conclusion that his effects will be taken away from him and sold to pay the money borrowed. This he naturally wishes to circumvent and too often makes the attempt. He moves surreptitiously, perhaps at night with a moving wagon with no name on it; perhaps he goes to the farther side of the city or puts his goods in storage and scatters his family among relatives. Much time and money

will be spent in an effort to find the security, in fact, I have found in practice that you will spend not only all your profits but a material portion of the principal, if the loan is a small one, in securing the return of your money. Can a remedial loan company take this risk, unsecured except by the borrower's credit?

I believe that seasonal employment is one of the major trials of the remedial loan company. A loan made during employment is usually expected to be continued according to the conditions agreed upon at the time the loan is made. These agreements are not usually kept unless the loan is made to mature during the time of employment and this can hardly be done unless the loan is for a small amount. Some companies place the seasonal worker on their prohibitive list unless the loan is for an amount which can be repaid during employment. This is hardly fair to those engaged in these various industries for among them we find a type of self-reliant and independent wage earner who scorns the asking of any assistance that smacks of charity. He wants to pay for what he gets and be under obligations to no one, and to encourage any man to maintain this standard of self-dependence is a duty which the remedial loan company owes to the community.

While there is generally a hesitancy to grant loans to the seasonal worker there nevertheless is a way to loan to many in this class, which will accommodate them and at the same time not work a hardship on the lender. It is certain that during the time they are out of work they cannot make payments as is usually required in their contract. When they need a loan most is generally soon after their work has been completed for the season. They may be able to pull through for 30 or 60 days but a time comes when they must have money. They will often state that they can make their payments, knowing at the time of promising to do so that it will be impossible for them to keep their agreement. If these borrowers can be made to attend to their accounts and if their agreements of repayment are drawn in such manner as to meet the possibilities of their incomes, they can be loaned to with the average degree of safety.

We all recognize, I believe, the necessity of being in touch with our borrowers at least once a month. We must know their

every change of condition, otherwise we jeopardize the return to us of the money loaned. The borrower with seasonal employment can be carried during his season of unemployment at a profit and without hardship, but only if he understands that he must call at the office every month, pay the month's interest on his loan, keep us informed of what the exact conditions are and resume full payments as soon as he is again employed.

The last year, more than any other period during the last twenty years, has demonstrated the demoralizing effect of industrial depression on the family. Bread winners by the thousands have been thrown out of work and when such great numbers of men are looking for work at the same time, it materially reduces the chances of satisfactorily maintaining family standards. When a man loses his position under normal conditions of industry he is able to find another position within a reasonable length of time, but when the industrial depression is of such magnitude as the present one, the securing of employment by a fair percentage of those thrown out of work is impossible.

I was very much interested in a statement made by the superintendent of a plant employing men in the forging of steel automobile parts. He was desirous of securing men skilled along certain lines of work and advertised very explicitly for the kind of men he wanted. Among those who answered his advertisement were bookkeepers and office clerks, all kinds of mechanics and laborers representing many trades, few of whom were suited to the class of work for which they applied, thus showing the acute condition of the unemployed and that they were all willing to grasp at the chance to do any kind of work.

How is the remedial loan company going to materially assist families under these conditions?

A family whose standards of living are growing lower and for whom there seems no prospect of an early change for the better, whose rent is due with prospects that several more months' rent will be due before the bread winner finds work, whose grocer has long since shut off his line of credit, presents to my mind the most depressing condition with which the remedial loan company has to contend in new applications. We cannot grant such an applicant a loan on his credit only, because

we do not know and can not foresee what conditions he will have to face before he is able to secure employment.

The remedial loan company must be assured that there is a fair chance of its money eventually being returned and that during the existence of the loan the security will be safe. Can we say that under these conditions there is even a fair chance of getting our money back when, from experience, we know what some borrowers will try to do? The landlord is usually the one who starts things that make trouble for the lender. He will evict for non-payment of rent. The family having no money to pay the mover or the rent at a new location and no prospects of getting any, may sell or send the goods to storage without our knowledge. We then have to start out to find where they have gone. This will in most cases entail an expense greater than our profit for an entire year on the money we have loaned. When goods are sent to storage, charges accumulate. Many times the borrower leaves the city, his family being distributed among relatives, and the lender is left without a chance of even getting his money back. Usually when goods go into storage we are foolish enough to allow the storage to accumulate to a point where there is no equity to pay the loan, this being done in the hope that the family may be able to rehabilitate itself. Very often the security is sold for storage charges, we lose our money and the borrower loses his goods.

To the man out of work, with no prospects of work within a reasonable length of time, a constructive loan can not be made; and as I have said before a loan that is not constructive can not be of benefit to the man or of profit to the company or of material benefit to the community. A loan at such a time only adds one more burden to the already overtaxed bread-winner. What he needs is aid through some other agency and the greatest aid that can be given him is to find him work. As soon as he secures employment he must safeguard his position. If he is garnisheed on his first payday he is very apt to be again looking for work. When he has employment the remedial loan company can make him a constructive loan.

The foregoing I believe will appeal to the remedial loan company but it does not satisfy the public which knows nothing

of what the remedial loan company has to contend with. The public demands that the remedial loan company fill the need of the unemployed and it is necessary that the remedial loan company work out some plan that will in a measure satisfy this demand.

As I have said before, the greatest risk in connection with loans to the unemployed is the lack of any definite assurance that our security will be safely kept; also we must have some assurance that we will not be required to spend a great deal of time and money in securing the monthly attention to which I have heretofore referred. If these two risks are to some extent minimized we can materially extend our field of usefulness in cases of unemployment.

It is a common occurrence for the remedial loan company to be called upon by some person of good standing to make a loan to someone out of employment whom he recommends highly. We make special efforts to try to accommodate the applicant but often find that the risk is one that we cannot afford to carry without some outside assistance. The moral hazard and the prospective expense of carrying the loan are too great. We report to the person sending in the applicant that we cannot assume all of the burden but will grant a loan for a period of six months, with the understanding that the borrower will pay only his monthly interest. If, at the end of six months, the borrower's condition has not materially changed so that he can make his monthly payments we will renew the loan for another six months, provided he, the sponsor, or some other reliable person or persons will assume a portion of the risk they ask us to take by guaranteeing us against loss by reason of any act of the borrower and that we will receive our interest monthly on the date it is due and holding us safe from any expense in collection of the interest as it falls due monthly.

In conclusion I would say that our remedial loan companies find in unemployment both their greatest source of trouble and their greatest opportunity for service, but this service must be given with wisdom and great patience. We must sometimes withhold credit, although the need is great and our sympathy urges us to do what should be done by other agencies.

Sometimes we must insist upon reasonable attention to the rules of the company when the natural disposition would be to grow lax in the enforcement of rules. We must extend our help where it will be of benefit and not otherwise and remember that our greatest obligation is to operate our companies on a business basis so that the lowest rates possible may be charged and the greatest good be done to the greatest number.

MR. RYAN:—With Col. Pond each loan is apparently an individual proposition; our policy in Detroit is to treat loans more generally. We make no distinction between unemployed and employed especially when the demand for labor is limited as it was last winter. All we do is to curtail borrowing as much as possible for at such times people have a tendency to borrow more than is good for them. We do not try to force our unemployed borrowers to pay but require them to keep in touch with us at least once a month and sometimes every two weeks. In the meantime we try to find employment for them. Naturally they get slow in their payments and give us considerable trouble, but we take this as a matter of course, figuring it all as overhead expense.

Our leniency is appreciated by our borrowers. This is shown by the fact that our delinquency list is only \$100 greater than last year in spite of a larger loan balance. We do not consider an account delinquent unless no payment has been made for 30 days. As the unemployed can not borrow on salary or endorsed note, the only security they can give is their furniture. We do not loan to the unmarried man who is out of employment. Often the wife is the manager and she can use a loan to good advantage. In one case we made a large loan to a woman who took in washing because her husband, who was earning \$5 a day, contributed little to the support of the family. By getting after him through his employer we brought him around and feel that we benefited that family greatly. A couple of years later, the children were able to secure employment and now the father is a better man and the family is in much better circumstances.

MR. MEEGAN:—Do you loan to families in which the husband drinks, if the wife is the manager?

MR. RYAN:—Yes. We give her the money and watch the loan very closely.

MR. FERGUSON:—What about the family which moves every three months?

MR. RYAN:—The average person who comes to a loan office has no idea of business. He forgets to tell us that he has moved. Our moving companies have to report all movings to the police. The Local News publishes them and in 99 cases out of 100 we can locate them. Apparently Col. Pond insists upon having payments made up to date when a man returns to work. We make allowances for other demands upon his salary and do not ask him to make full payments until he is on his feet.

Our losses during 1907 and last winter were no larger than during good times. The problem is not much of a problem at all, for on the whole 99% of the people are honest and deserving. I do not consider a man dishonest because he moves without notifying us. I do not consider him dishonest if he goes to another loan company and tries to get a loan. One borrower who did this after procuring a loan from us told me that there was nothing to eat in her house, that they were practically strangers in the city and she could not see her children starve. I do not find that people grow dishonest during bad times.

THE CHAIRMAN:—We have an interesting subject. How many present generally make loans to the unemployed during normal times?

About seven of those present raised their hands.

MR. PHILLIPS:—Mr. Meegan, what was your experience during the strike in Paterson?

MR. MEEGAN:—The strike started in February and lasted until June. During the first few months of the strike we had practically a normal business but within two months, as soon as the effects of the strike began to be felt, our business doubled. During that time we never refused an applicant for a loan by reason of the fact that he was unemployed. If we had done so, I should have felt that we were not doing a remedial loan business. We knew in the majority of cases that it would be a

physical impossibility for payments to be made on time, but we impressed upon each borrower the necessity of coming to see us when payments were due, and if they could not pay, to so notify us and secure an extension of time. During that time I made it a part of the business to have borrowers report at least once in two weeks. We could then keep in touch with them without additional expense.

THE CHAIRMAN:—Were you successful in getting them to come in?

MR. MEEGAN:—Yes. They said: “We do not want to come in because we have not the money.” We told them that they must come in. The result was that we charged off only two accounts, one for \$57 and one for \$27. I am collecting now on the \$57 account.

MR. UPSON:—Did any move away?

MR. MEEGAN:—Yes; two did.

MR. FERGUSON:—That custom is good in a town where you can keep in touch with borrowers but not in New York City.

MR. MEEGAN:—It is a local condition.

MR. FERGUSON:—If a person is delinquent for four months and then comes in, is interest taken out first and the remainder credited to the principal?

MR. MEEGAN:—Yes; generally.

COL. POND:—In Cleveland a fund of some \$50,000 was raised last winter to be loaned by the Workingman’s Collateral Loan Company on a 6% discount basis to those who needed immediate help and could not be satisfied in any other way. This fund was raised by the Cleveland Foundation and was loaned on security of one or two endorsements. The money was loaned freely and through it the Workingman’s company has done a wonderful work in relieving the immediate needs of the people.

Mr. Morgan represents an association in Toronto which has a capital of \$250,000 devoted to relieving pressing need caused

by unemployment, etc. I think when Mr. Morgan speaks on this subject he will add suggestions to those contained in my paper which will be especially interesting to those not particularly well informed about the small loan business.

MR. PHILLIPS:—What has been the experience in regard to the increase of applications for loans as a result of unemployment? In Rochester they have not increased.

A show of hands indicated an increase in the case of 15 societies represented.

MR. STROUP:—Good borrowers do not want a loan unless they can repay it.

MR. FINLEY:—Is there a falling off in the quality of applicants?

MR. FERGUSON:—In good times you have a better class of borrowers.

MR. BURNHAM:—The business of the Worcester association increased \$10,000 over normal times.

THE CHAIRMAN:—There was only a normal increase in the growth of the Buffalo society.

MR. RYAN:—There was a decrease in Detroit over last year.

MR. DAVIS:—We have had considerable trouble in Newark on account of unemployment, not only with new applicants but with old borrowers. We have no set rule regarding loans to the unemployed. We have made hundreds of such loans to honest people and have found that they repay when they get employment.

A VOICE:—Of the applicants for remedial loans on account of unemployment who are not able to pay at the regular or stated time, is there an appreciable percentage who apply for help from the organized charities?

COL. POND:—Out of 4,000 active accounts last winter I think we had less than 20 whom we knew had been assisted in any manner by the Associated Charities. I am in close touch with the Associated Charities and refer many applicants to them.

MR. MORGAN:—A portion of the funds of the Toronto association was set aside for loaning solely to the unemployed. Many loans were made to men engaged in the building trades, some on first class security, such as first mortgages on homes worth \$4,000 or more. In some cases it seems that they are going to have little chance of making early payment, for work in Toronto is slack in the building trades, and I can see that we are not going to be repaid before the season is ended. I would like to know if any members of the Federation have been through similar experiences. What can you do about giving borrowers more money during the next season of unemployment if the former loan is not paid? I have reference to their ability to meet larger payments. A loan of \$100 may be paid up to about \$50 and the borrower may still need \$100 to carry him over the next period of unemployment and to pay interest on the mortgage. Many loans are made for this purpose. What is the procedure in such cases?

THE CHAIRMAN:—How many make a practice of increasing a loan to carry the borrower over a period of seasonal unemployment?

(Show of hands not recorded by stenographer.)

MR. DAVIS:—Our society has a rule not to make an additional loan until the amount previously borrowed has been repaid. New loans must be on the basis of a reduction of 25%, except in cases where a week has elapsed since the expiration of a previous loan.

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#### LOAN SHARK AGENCIES

JOHN E. TAYLOR, Youngstown, Ohio

This is a subject which will not have to be discussed much longer, for in my opinion the race of the loan sharks, at least in Ohio, is almost run. I feel safe in saying that they reached the height of their activity about 1911. In that year a measure was passed in Ohio, known as Senate Bill No. 52, for the purpose of licensing and regulating the loaning of money upon

chattels and salaries at about the same time other states passed laws along similar lines. Since that time in one way or another life has been made miserable for the loan sharks, so miserable in fact that they are fast getting out of the business.

Large profits have been made in the business. I know of one office having an average cash investment of \$8,000 which netted annually \$3,581 for a period of nine years or about 45% per annum. This may seem large, yet I know of other offices, where the rates were higher and the operating expense lower, which practiced the old method of renewing when an extension of time was asked, making a new charge for this renewal and starting the victim over again at an increased amount and with larger payments.

As an example of how this method works I will cite one particular settlement we made with a loan shark. On November 9, 1912, the victim borrowed \$100 and was to repay in ten monthly payments of \$13.70, or \$137. On August 30, 1913, the account was renewed for \$75 and the borrower received in cash \$42.60 to be repaid in ten monthly payments of \$10.25, or \$102.50—a charge of \$27.50 on \$42.60. On December 2, 1913, the account was again renewed, this time for \$100, the borrower receiving in cash \$25 to be repaid in 12 payments of \$11.85, or \$142.20—a charge of \$42.20 on \$25. When this borrower came to us on April 6, 1914, the shark claimed a balance of \$94.80. We settled the account for \$9.87, saving the borrower \$84.93. Thus you can readily see how large profits were possible on a small amount of capital and with little expense.

The foregoing is an illustration of a case in which the loan shark failed to collect, but there are thousands of victims like the one described of whom we never hear. The usurers are to-day practicing a far different method of collecting—one of salve instead of browbeating. The old method of hanging around the door of the victim, talking loudly so that the neighbors could hear, bluffing the victim in various ways until he either went to another shark and got the money to pay the account or renewed it as already illustrated, has almost disappeared. It is the loan shark who is scared now.

In some of the larger cities I have known the same firm to have two offices on different floors, in the same building. When a victim got slow in his payments to one office they switched him to the other, which the victim thought was a different company because the name was different. This scheme was attempted for a while in Youngstown a few years ago, but the city was too small for it to be worked successfully for any length of time.

These victims fear publicity and are ignorant of the law and of how little power the loan shark really has. Once a victim got into his clutches, the loan shark by using the renewal method usually saw to it that he did not get away easily.

I have on my desk a little pamphlet on loans and collections, or policies of successful managers, compiled in the head office of a string of loan agencies. One sentence in this pamphlet, I believe, tells the story of how the loan shark strives to keep his victims. This sentence reads as follows: "Prompt collections will increase the volume of business, because the customer who pays promptly comes back sooner." Sounds well, doesn't it? During the campaign waged against loan sharks in Cleveland a few months ago, City Prosecutor Poulson captured some confidential orders to managers of loan shark offices, which I believe give a fair idea of how the game of "bluff" is practiced upon borrowers. Demands that managers push borrowers to the limit to make them pay illegal interest rates, and advice on how to bluff and scare borrowers, make up the major portion of the "Instructions." They contain such sentences as these and are typical of loan shark methods:

"We have to get after collections harder and disregard the customer's threats of paying only the legal interest rates.

"Don't kill the account by sending a bum collector after it. It is the sharp, quick action that counts.

"Do not get timid on account of kicks by customers. Don't show too much sympathy when they come around with hard luck tales.

"Use 'soft soap' talk on the borrower only after you have tried stones and gravel. If the customer mentions the law, hunch your shoulders and say you don't know much about it.

"Bluff the borrower by rattling papers in your desk, pretend to phone to an attorney, but hold the phone closed; remember the whole proceeding is more or less of a bluff. Give your customer good hard roasts.

A few paragraphs taken from "tips" to managers, also captured by Poulson, on how to handle and bluff borrowers, will further show you how their methods develop into a system. These are not put up by an amateur but by men who have made a study of the loan shark game.

"Try to bluff a customer concerning loans with other companies. Look through a drawer or book, rattle the papers, etc., and then say, 'Oh, I see, you want to make a loan to pay off the other company!' Hesitate a moment to see if the bluff works.

"When the customer comes in for the money, try to bluff him. He will think you have found out something about him. Say to him, 'Will your other loan interfere with your making these payments promptly?' He will probably say 'No,' and then you have him.

"The phone is the quickest way to get after collections. The next best thing is to send special notices, etc. I believe it is safe to say that 50% of the collectors who are sent out to see customers spoil them. It doesn't take the customers long to see that they can 'bulldoze' a collector.

"In the case of a 'dead beat' you might bring up the point of 'new law' and do whatever bluffing you want to. But to talk to customers in general about new laws, I do not approve. There is no use putting the notion into their heads, as they would probably go and see somebody to find out what the new law is. The result would be more apt to harm us than do us any good.

"Don't loan to wives unless you are sure they get an allowance from their husbands. Bluff the wife into thinking you must have the husband's signature, then drop the demand.

"You can say anything you like to a customer in a sealed letter so long as it is not criminal threats, immoral or indecent.

"We need managers with 'bulldog' determination. Get some attorney who will sell you his legal letterheads, and then write to slow customers upon them.

"When a customer served with a wage assignment comes poking in, give him a good hard roast. At first suggest you are going to take all his salary, etc. If you see you have to retreat, do it as slowly as possible. Don't give people all they ask."

Among other papers taken from the office of Roberts & Co. at Cleveland, by Poulson, was a 36-page book entitled "D. H. Tolman's Book of Instructions." Some paragraphs from this book make very interesting reading and show how the man who has been styled "King of the Loan Sharks" instructed his help to "bluff" the borrower, and to keep him on the books.

From experience I know that these instructions are not exaggerations and are only a few of many such, given both written and orally. Every time the auditor comes to a loan shark office the manager is given the benefit of what he has been able to glean from other managers,—that is one of the duties of the auditor.

Sometimes legal looking notices are sent to the victims, such as "Garnishee Demand and Attachment Notice," "Notice of Judgment," "Original Notice before Suit," and some loan sharks have gone so far as to have letters printed, purporting to come from a legal collecting bureau. One of these notices which recently came into my hands was entitled "Ultimo Notitia,"—a very legal looking scrap of paper prepared and delivered in such a way that the victim would think it came from the civil branch of the municipal court. All these notices have a certain legal look about them in the eyes of the unsophisticated victim, and often times bear fruit, at which the loan shark chuckles to himself and says, "Well, once again the bluff worked beautifully." The loan shark has bluffed many thousands of vic-

tims into paying many hundreds of thousands of dollars in usurious interest.

Prior to the passage of Senate Bill No. 52 in 1911, it was possible in our state to use a regular form of chattel mortgage and salary assignment. The fact that usury was charged did not invalidate either. Very few of these mortgages or assignments were ever foreclosed or filed against the victims. The bluff game was used principally, for the reason that, if filed, the victim would invariably go to an attorney who would tell him what he had to pay and as a result the legal rate of interest—6%—was all that would be collected. The borrower would tell some other victim and through fear of too many victims getting wise the shark was content to try the bluff game a while longer. The longer victims could be kept in ignorance, the better it was for the loan shark.

Since June, 1911, it has been deemed unsafe by the loan shark of Ohio to even have a chattel mortgage or salary assignment in his possession, therefore he devised a set of agreements which answered the purpose very well for chattel and salary loans but which are not worth the paper they are printed on. The borrower is not given time to look over these papers, so he does not know what he has signed and when the claim is made that a chattel mortgage or salary assignment is held he is not in a position to contradict the assertion.

Two notes are always taken, one for the principal at the legal rate of interest and one for the usury. If suit is to be started on the good note (in cases where it is possible), the other note is promptly shelved.

In most states the loan shark at the present time has no real form of security. He simply makes his victims sign three or four papers, gives them the money and then attempts to bluff, browbeat or shame all those who do not meet his demands promptly. Through public agitation and the establishment of legal rate companies, borrowers are becoming more and more acquainted with the law and their rights; consequently former loan shark methods do not have the effect they used to have, and the life of the loan shark is becoming

a very disagreeable one in almost every locality in which he used to flourish.

MR. UPSON:—A few years ago the loan shark subject was decidedly a live one but thanks to this Federation and the Russell Sage Foundation it is not so much so now. The operations of the sharks in New York state as in other sections of the country have decreased. Although we are entitled to credit, public sentiment, which is a very important thing, has played a large part in it. At the time our association was organized in Utica, Tolman had an office there and there were about a dozen others, some of which have since closed. We still have a number of concerns which operate stores for the sale of traveling bags, jewelry, etc., and make loans on the side. It is practically impossible, we have found, to drive such brokers out of business through competition alone.

We ought to teach the public to discriminate between the reliable and unreliable. We ought also to advise borrowers to take a bold stand against the loan shark. The fear of exposure is a club which they can use effectively. A young man came to our society who borrowed \$50 from a loan shark. He had apparently paid back the loan with interest when the shark garnisheed his wages. The case was taken up by our attorney and the loan shark after trying to bluff him dropped the matter.

One day last spring a young man came to our office accompanied by a piano dealer and applied for a loan, saying that his wife had been sick for a long time and he was in distress. His statement was corroborated and we made him a loan. He kept up payments for a time but soon became delinquent. We found on investigation that conditions in his home were unsatisfactory and that he had been generally doing that kind of thing—borrowing without his wife's knowledge. There may be cases in which it is helpful to loan without the consent of the wife but it is not a good practice.

MR. FERGUSON:—From how many cities have the loan sharks been eliminated?

MR. STROUP:—We had eight in Grand Rapids and now we have none.

MR. CAVANAUGH:—There are no illegal chattel loan companies in Cincinnati. Twelve years ago there were about 15.

THE CHAIRMAN:—Are the loan sharks flourishing in any cities?

(Mrs. Hopkins of Washington, D. C., raised her hand.)

THE CHAIRMAN:—When our society started in Buffalo there were seven or eight salary loan offices and eight or nine chattel loan companies. There are no salary companies now, and only four chattel loan companies, including ourselves, who are licensed and doing a legal business. We do not claim the entire credit for this improvement.

MR. PHILLIPS:—D. H. Tolman has an office in our city (Rochester) but he is merely taking care of old customers—not advertising or increasing his business. One storage house, with a pawnbroker's license, advertises to loan on furniture in storage. A man who borrows \$25 upon his piano which is put in storage has to pay \$5 to get it there and \$.75 for looking up the records, getting \$19.25 in cash. Then he pays 10% interest monthly and \$5 more when the loan is paid to get the piano out again.

MR. BURNHAM:—Massachusetts is going down hill. The new law allows 24% interest and a 10% expense fee chargeable every four months—a total of 54%—, and some lenders are discounting interest in advance, which adds 24%. On “unsecured loans” they get 36% interest and 40% in fees. I am ashamed of the standard of the state. The law is permitting loan sharks to grow and flourish.

Meeting adjourned to Friday, 9:30 a. m.

Third Session, May 14, 1915, 9:30 a. m.

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## PROBLEMS OF NEWLY ORGANIZED SOCIETIES

W. P. MORGAN, Toronto, Ontario

In the fall of 1914 a number of gentlemen of the city of Toronto decided, in view of the prevalence of unemployment in the city and the stress of money conditions due to the European War, that financial assistance should be given to citizens who should happen to be in need of it, who had security for such accommodation, but who had small chance of getting help from any existing source. A provincial charter was obtained and the Corporation of the City of Toronto undertook to guarantee debentures of the Toronto Municipal Loan Association to enable it to procure funds to make advances to its customers. The City Council provided for representation on the board of the association and has therefore every facility for following the business of the association. The Mayor is the Honorary President.

After these matters had been attended to, it was necessary to provide offices, get together a staff and get the necessary stationery and literature. Our offices were given us rent free through the kindness of one of our directors and furniture, electric fixtures and typewriter were also supplied by directors of the association. The first members of the staff were appointed by a committee and additions made afterwards. We were able to secure the services of two valuators who had previous experience in this business and who had in addition experience in real estate and building. As real estate is very frequently taken as security, it is, of course, necessary to be very familiar with realty values. A young lady who had had experience in mortgage company and solicitors' offices has acted as conveyancer and also as cashier, as with our present business a cashier's full time would not be taken up alone. The chief qualification for stenographers with us is legal ex-

perience. Real estate mortgages, discharges, etc., are constantly being drawn up and an acquaintance with legal phraseology is essential. We have one member of the staff who looks after titles and registrations in three registry offices and the county clerk's office. As there have been no chattel loan companies doing business in Toronto for some years, it was not practicable to obtain office help experienced in this line and it can be imagined that it has taken some time to gain the knowledge so far obtained, most of which can only be gained by experience. My own qualifications were a knowledge of accounting, building and farm work, and a consequent fairly intimate acquaintance with workingmen. I was decidedly interested in and in sympathy with the objects of the association.

When the association first started business we were literally overwhelmed with applications both suitable and otherwise. A staff of two office people at first tried to cope with 30 or 40 applicants per day and work in directors' meetings, registration, etc., besides, and it goes without saying that both valuators and the office staff got considerably in arrears. Our prospective customers told us their opinion of our lack of speed in person, by mail and over the telephone, and I am willing to admit they had plenty of cause. The situation was gradually worked out by obtaining more help.

Considerable difficulty was experienced in getting the proper information on applications when taken, and prospects took on quite a changed complexion when further news came to light. All such reconsiderations take time and congest the office work, so I, myself, take as many applications as possible in order to get information at first hand. The reports brought in by valuators were likely to be incomplete in some particulars until it was well understood what information was wanted from them, and a certain time elapsed before they got into the habit of noting information which would be required by members of our loan committee in the shape which made it easy to answer a question put in almost any connection with the application. As a consequence of this and of paucity of information on the early applications, a number of cases

were referred back for more information, thus complicating and delaying their disposition. This was gradually worked out by experience in knowing just what would be required. As a very large proportion of our customers were unemployed at the time of getting loans, it was very necessary to find out if they were in the habit of working regularly or had no regular income at any time. I imagine, however, that this is a problem with all offices.

The amount of work involved and consequent help needed to take care of each application was a surprise to me, though I may say that our procedure is rather more detailed than that of most American offices. We have had considerable running about to do in connection with affidavits, etc., as there is no commissioner or notary in the office. Our methods were very much improved as the result of a visit which Col. Pond paid us last winter. He pointed out the error of our ways and, what was better still, suggested the remedy. Our directors and I, myself, feel deeply indebted to him for his assistance.

As the average customer of our office was unemployed at the outset, the matter of collections loomed large after the first six weeks. In the absence of experience in this matter, it is difficult to adopt the right course to pursue in each individual case, to identify the man who is really trying to repay under trying conditions, and the man who only says so and has a new trouble or excuse each time. A new manager is apt to lose faith in men after dealing with the latter class. As we were authorized by the City of Toronto to make loans (out of a fund segregated for the purpose) where security is decidedly slim and the income temporarily non-existent, we have been taking some chances in the way of repayments but in most cases the borrower is doing his best to repay advances and keep his credit good. In our experience most "charitable" or "very urgent" applications are not apt to make good loans though they are most difficult to refuse, especially when referred to us by friends or benevolent or social institutions. I imagine that the newly opened office gets a rather larger proportion of such than the old-established one.

The procuring of salary assignments was not made a part of our system at first, though it is now adopted in every case. Though we have not had to use them, they are likely to prove a decided help in collecting from unappreciative borrowers.

Owing to local causes, we are able to confirm the use to which many of our loans are put, which is, I believe, not the practise in all loan companies. As we loan on second and third mortgages, and very often for the purpose of meeting interest payments on prior mortgages, our checks are always made out to mortgagees to pay the amount of arrears of interest or for payments just coming due. This ensures the keeping of prior mortgages in good shape. When these prior mortgages come due and are changed or renewed, we are generally paid off. In Canada landlords are entitled to distrain on a tenant's goods, with comparatively few exemptions—and right to such exemptions is generally waived in the lease—, so our practice is to make checks payable to the landlord when rent is not fully paid up so as to place our security in safety at the start, at any rate. We have some objections from customers to this practise but we consider it advisable in view of the circumstances. Up to the present no goods belonging to customers have been sold by landlords.

So far we have had comparatively little trouble arising from removal of chattels by customers. In one case the borrowers left the city and the whereabouts of the security is at present unknown. The wife is living on a farm somewhere near an Ontario town and she has so far sent on two payments. Our letters containing receipts are returned by the post-master marked "Not Known," and we have been unable to obtain the address from local family connections. We have a standing offer from the constable in her locality to look her up if we will stand livery charges. In most other cases we are advised when change of address is made.

At first we had criticism from the press on account of our interest rate and fees—we charge the highest rate allowed by Ontario laws—but in each case we have personally visited the newspaper and explained our methods and necessities.

One editor has recently guaranteed a small loan for an acquaintance of his, which does not look as though he condemned us altogether. One weekly paper in a rather unkind article stated that they would mention my name in connection with their criticism but could not decipher my signature—a possibility which I overlooked. We now have very little complaint regarding rates, etc., although I suppose it is likely to be mentioned by some disgruntled applicant in a letter to his paper that we are not all that we ought to be.

We have had the advantage of the use of forms, literature, reports, etc., from a number of companies which are members of this Federation, and a great deal of help was given and time saved by access to these and by personal advice and assistance from Mr. A. H. Ham, Col. Pond and Mr. J. E. Ryan, which we fully appreciate.

MR. STROUP:—Mr. Morgan's experience in Toronto enables him to see the problems of a new loan company from the standpoint of a municipal undertaking. Some of these difficulties, at least, must be different from those of a private corporation, yet there are many questions of policy and of management common to all societies claiming to be remedial. Mr. Morgan's recital takes us back to the time when we had to face the same perplexing problems and fortunate are we indeed, if our experience has enabled us to fully overcome any or all of them.

It occurred to me that the discussion might be helpful to a larger number if emphasis were laid on these common problems. I therefore wrote to a number of officers and managers of recently organized societies and asked them to state in a few sentences what they found to be the principal difficulties in getting started. Among the replies received were the following: To secure an organization which would work harmoniously; to convince the directors that it is necessary to eliminate many bothersome and unnecessary restrictions in order to give the customer the same service given by the loan shark; to secure an experienced manager and office force; to establish an accounting system suitable to the size and methods of the company and conforming to the state law.

After the organization is complete, there comes the necessity of separating the worthy borrower from the riffraff of professional dead beats, bums and spendthrifts who always besiege a new company and who are seeking credit of everybody, everywhere. Their framed-up stories of a legitimate need will pass muster with the inexperienced manager. They are always in a hurry to get the money but never in a hurry to pay it back. After a few bumps and a little more experience the efficient manager gets a sixth sense and can detect them at sight. It then takes only a few questions to be sure his judgment is correct and, like the obliging bank cashier, he courteously informs the prospective borrower that he is short of funds (for him) and regrets his inability to serve him.

The granting of credit is, of course, the greatest problem each of us has to encounter. Upon its proper solution depends the success of a bank, mercantile business or loan company. It is possible to be so conservative that good and legitimate business is turned away, for many of the applicants who look doubtful at first, after a careful investigation turn out to be satisfactory customers. The conscientious manager does not want to refuse a loan to a borrower who has ability and character even if his security may not be first-class.

Then comes the policy of enforcing collections from unemployed borrowers, chronic borrowers, the worthy poor without security and the unworthy poor with security. Charity recognizes no unworthy poor. Should we do the same?

The 1911 Michigan loan agency law was recently declared unconstitutional because of its title and a new bill has just passed the legislature and will become a law as soon as it is signed by the Governor. We had several hearings before the proper legislative committees and the question of an adequate rate was, of course, brought up. The commercial companies insisted that the remedial companies loan only to a preferred class of gilt-edged risks and do not take care of the needy poor without security but in urgent need of small sums. I was asked what my company would do if a poor family with a dead infant wanted \$25 on a couple of old beds, a three-legged stove and a half dozen broken chairs.

I had to admit that I would probably turn it down. I remembered a similar case that was charged to Profit and Loss during our early experience. The high-rate representative replied that he handled just such loans and that he thought the rate ought to be adequate to take care of such demands. The argument sounded so well to our law makers that they gave us a 3% bill for amounts up to \$100 and 2% over \$100 and up to \$300, in addition to a fee of from \$1 to \$2, in the face of the protests of the remedial companies that the rate was excessive.

I found in classifying the replies received from managers that two problems loomed far above the rest. They were insufficient capital and insufficient favorable publicity. The manager who starts with plenty of capital and plenty of favorable publicity is soon on the highway to success. He is driving in a new 1915 Packard with a self-starter, while the manager without these is in as difficult a position as a driver of a second-hand Ford with three punctured tires, trying to make a steep hill without gas and ten miles from the Standard Oil Co. I find in the letters and annual reports of companies in one of the states that they have difficulty in selling stock on account of the impairment of their capital incident to the extra expense of getting organized. Being under state supervision the authorities will not allow them to sell new stock until the impairment is made good. The failure of remedial loan companies to attract capital explains why there are only about forty remedial loan companies when there should be at least four hundred.

Six years ago the Federation first met at Buffalo and since that time its enthusiastic and efficient officers, assisted by the Russell Sage Foundation, the directors and managers of each separate company and also by scores of newspapers and magazines, have added only about twenty-five new societies having a capital of \$1,500,000 to be used in cities with a combined population of over 12,000,000 people, or only about \$.125 per capita—not enough to buy each one a good lunch.

There are 10,000,000 people living in 175 cities each having a population of 25,000 people or over without a dollar

of remedial capital available for the small borrower. It is the unwillingness of public-spirited philanthropists to finance these loan companies that prevents them from dominating the situation in most of the cities even where they are now located.

Grand Rapids, a typical small city of 125,000, has more banking capital available for its borrowers than the combined capital of all the remedial loan companies in the United States and it has little difficulty in raising yearly a budget of \$1 per capita in gifts for charity and philanthropic purposes; \$1 per capita is about the average given for charity in all cities. Many times a loan would keep a family independent while charity would keep it dependent and yet it is often easier to get a philanthropist to give \$1,000 for charity than it is to get him to invest \$100 to be used as a substitute for the loan shark. The difficulty in securing capital seems to be due to an impression that the business is very hazardous when the security taken is chattels. People feel that we are dealing in goods that rapidly depreciate in value, get out of style, may not be paid for, are easily burned up, removed, sold, secreted or otherwise disposed of.

When you go to a man skilled in making investments and explain the nature of the business he wants to know what such an investment will net him. You tell him that the dividends are limited to 5% or 6% and he politely wishes you all success but finds that he cannot at the present time take on any more investments. This raises the question as to whether a limit of dividends to 5% or 6% should be the test for membership or whether service rendered the community and the number of people reached should be the qualification.

When it comes to publicity I find several of the members lamenting the fact that the newspapers are unwilling to give them free space. One member says that all of the space he does get puts his company in the light of a charity and that the loan sharks take advantage of this and appeal to the pride of people in asking for their patronage. One member says he has difficulty in getting the public to differentiate between his methods of doing business and those of the loan shark. Fortunate indeed is the company which can get favorable

write-ups from the press without expense, for it is a kind of publicity which can not be bought at any price. I believe that when companies can not get this publicity free they are under obligations to the community to use paid advertising, exercising their judgment as to the kind which pays best.

You have only to look at the successful business enterprises to find out that advertising pays. It was publicity that made every letter in "Ivory Soap" worth a million dollars. The length of time required to put out \$50,000 or \$100,000 depends almost entirely on the amount of printer's ink, free or paid for, that is used. We appreciate the fact that a company which advertises too much is subject to criticism for trying to create a demand for unnecessary borrowing. On the other hand, if a company does not advertise these same borrowers will probably get the money somewhere at some rate.

This gives an opportunity for difference of opinion regarding how much publicity a remedial company can legitimately buy. The high rate company's custom of emphasizing the easy method of getting loans and getting out of debt is, of course, open to criticism. On the other hand I believe the advertisement should be written in such form as to attract the attention of those who will borrow. Simple announcements that you will loan money at the rate of  $1\frac{1}{2}\%$  and 2% per month on balances will attract but little attention when in the same column the loan shark says he will loan money at 6% per year but forgets to state that he will charge a fee that will bring the cost up to 100%. I venture to state that not one-half the borrowers in any company could figure out the exact cost of a loan at  $1\frac{1}{2}\%$  on balances, so when the loan shark states in big type that his rates are the lowest in the city, it is difficult to write an advertisement that will attract the borrower.

Without discussing the merits of the plan, we must certainly take off our hats to the Morris companies when it comes to obtaining favorable publicity from the press. Note the following in the March *Outlook* under the title of "Credit versus Charity." Lyman Beecher Stowe tells how a plan has

been devised by which the borrower is not compelled to sacrifice his self-respect (!) by applying to a semi-philanthropic association. Here are his exact words showing how the plan was first received in New York:

"It should be said that, because of its small capital (only \$100,000) and its small force and quarters, it can hardly be called more than a demonstration unit. For this reason it was deemed wise by the management not to advertise its opening or even to announce it in the press. On the opening day, in spite of all efforts to keep the matter dark, eighty-three customers appeared, or twice as many as could be comfortably accommodated; the second day, there were over one hundred; the third day, two hundred; the fourth day, between three hundred and fifty and four hundred; and so on until on the 11th of January the place was besieged by a thousand or more persons, and became so congested that the officers had to suspend business for the day."

I am sure it would be of interest to all of us to find out the experience of any manager who may have tested out the different kinds of advertising and I think it would be a good plan to exchange advertising copy with each other and recommend the kind which has been found to be the most effective.

MR. MORGAN:—We have set aside \$50,000 to make character loans, taking what security a man has to offer. In many cases it is impossible to realize upon it but we are not expected by the city to return 100% on these loans. When an applicant can borrow from another concern which will loan cheaper than we do—as, for instance, life insurance companies—we refer him to such a company. Our rates of interest are 12% per annum on monthly balances and fees ranging from \$2 to \$5. It costs \$1.80 to register a mortgage. We loan upon chattels, real estate and joint notes. Our general average loan is about \$66; our average loan on real estate is \$80. We have only a temporary organization and are authorized to issue 5% bonds to the extent of \$250,000 guaranteed by the city. This figure is simply the ground sum which our directors thought would be ample.

The support of the press is negative though it has no reason for not supporting us. We have loaned about \$30,000. We have had many unsuitable applications, such as those of people who had bought property and paid very little upon it or who had already mortgaged their property up to every dollar it would carry. Many such applicants go away disgusted and unable to understand why we will not loan to them.

MR. BURNHAM:—In many cases you know the property was bought on a shoe string.

MR. MORGAN:—Yes, many times they have paid \$1,000 more than the property is worth, or have paid \$800 and really have no equity.

MR. STROUP:—I would hesitate to start a loan company in Canada if the landlord's lien had precedence over a chattel mortgage. It is like making loans on goods in storage when the storage house has the prior lien.

COL. POND:—Mr. Morgan, have you money now available for second mortgage loans?

MR. MORGAN:—There is a certain amount available but it is being loaned very carefully.

THE CHAIRMAN:—What proportion is loaned on second mortgages?

MR. MORGAN:—At least 40%. A few loans are made on first and third mortgages; we are not very enthusiastic about fourth mortgages though there is sometimes an apparent equity.

COL. POND:—Is it a fact that you are making second and third mortgage loans at a considerably less charge to the borrower than the other agencies which you mention?

MR. MORGAN:—Yes; surely. We do not examine in the office of registration unless it is absolutely necessary. Our registration book shows the grant and the existing encumbrances. Our old plan of registering meant looking back over old pages to find encumbrances, etc. You can imagine that the abstract clerk has to be alive to his job. Sometimes we take fifth mortgages.

THE CHAIRMAN:—I call on Mr. Taylor to tell us something about his problems.

MR. TAYLOR:—On April 16th I received a letter from Mr. Stroup asking me to give him some of my experiences with the problems of newly organized companies. I wrote him as follows:

The problems this company had to overcome when it opened for business were many and of various kinds.

In the first place we have never been able to get our newspapers to give us any free write-ups, for they look upon the proposition as purely one of money-making.

In the second place the loan sharks were very strong and spent a great deal of money in advertising. As the papers were not willing to give us any help we also had to spend much money in advertising but at present we are not doing so much in this direction as the problem of getting people acquainted with us has been overcome, principally by dropping our name to a certain extent and advertising as the E. C. Loan Co.—for we found that people could not remember our name.

Another difficulty was the fact that what little space the newspapers did give to our organization conveyed the idea that we were a charitable institution and of course the loan sharks made a great deal of this. This we overcame by going after business in a business-like way, but it took us nearly a year and a half to find out that a mistake had been made in the beginning.

The problems of newly organized companies of this kind are so many that I could not tell you of all we had to overcome without going at length into the past. Most of these problems come from the desire of the people who put their money in these societies to help people who least appreciate it.

People must be educated to the low rate as they have been to the high rate, for they have been buncoed so often by the loan shark that when a company like ours advertises rates that are so much lower, they are inclined to be skeptical and will shy off until they are certain that you are telling the truth.

Our business is going very nicely now, but it has been a hard fight. I do not know whether I have given you what you asked for, but, as I have already said, to tell you all would make my story too long.

The Independent Loan Co. of Youngstown, operated by a man in Chicago, advertised to loan at 6% per annum when it actually charged \$42.20 for \$100. Subsequently that office was closed, reopened under the name of the Loan Society of Youngstown and later the name was again changed to the American Loan Co. Our company was formed about a year later and we began by telling people that we loaned at 1¼% on monthly balances but it was hard to make them believe us. Since last October, when we began to advertise as the E. C. Loan Co., our business has doubled. We must go after the business not in a

charitable way but in a business-like way. In this way we reassure people who fear that we are a charitable organization, and we take the business away from the loan shark.

MR. UPSON:—A good many of us fail to appreciate the conditions of newspaper publicity. The newspaper is willing to give a reasonable amount of space but it is obliged to discriminate between news and advertising. It may be friendly toward us but if it gives us publicity it has to give space to other organizations which demand it. Any article prepared in the office of a remedial loan association from the news standpoint will be used by the average newspaper. The difficulty is that the writer too often gives it an advertising character and the newspaper cannot accept it. If what you write is written as a legitimate news article with not too much advertising in it, most papers will accept it. This statement is based on my own newspaper experience.

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## ESSENTIALS OF A UNIFORM SYSTEM OF ACCOUNTING FOR CHATTEL LOAN SOCIETIES

L. D. MAPES, New York, N. Y.

In any uniform system of accounting for chattel loan societies it must be borne in mind that accounts, statistics and other data will have to be kept with the following objects in view:

1. To be able to establish at any time who are the owners of the society.
2. To be in a position to report to the owners at stated intervals how much is owned and how much owed; how much gained or how much lost; what the cash receipts and payments have amounted to; and what the volume of the various operations have been, etc.
3. To meet the requirements of the government of the state and the United States in such a way as will most clearly and simply set forth in a report the yearly totals of the many transactions.

4. To report to the Federation, for the purposes of the published report, in such a manner that an intelligent comparison may be made between the various societies and their work.
5. To get the work done as quickly and accurately as possible, while also avoiding confusion and delay; not losing sight of the fact that the various transactions must be properly segregated so that the totals may be arrived at in a more or less automatic manner. In new societies the accounts with borrowers should receive special attention in the above connection, otherwise they are likely to be started along apparently simple lines which later may become exceedingly cumbersome.

With the above objects in view let us see what sort of accounts a society should keep. We may assume that they are about as follows:

1. Accounts with Stockholders
2. General Accounts
3. Cash Records
4. Accounts with Borrowers
  - a. The Society's Records
  - b. The Borrower's Record
5. Statistical Records of Operations

There is some overlap in the above classification but it will suit our purpose at this time. Some of the data or statistics to be compiled do not come strictly under the head of "accounting" but the accounting force could very well do the work, and we shall therefore consider that they come within the province of this paper.

Taking the above divisions one by one, they are:

1. Accounts with Stockholders
  - a. Stock Certificate Book, showing to whom each certificate was issued, the date, its number, the number of shares, etc.

- b. Stock Ledger, containing a stock account with each shareholder
- c. Stock Transfer Book or Journal

As these books are almost always kept along certain well-known lines there is little to be gained at this time in discussing them, except to point out that it is always necessary to keep such records.

## 2. The General Accounts

- a. General Ledger
- b. Journal
- c. Cash Book
- d. Trial Balance Book

In the Ledger will be kept accounts for the various assets, such as Cash, Loans to Borrowers (in total), Securities owned, etc.; accounts with Capital, Surplus, the several reserves found necessary and Money Borrowed; the various income accounts: namely, Interest and Fees Received, etc., and accounts of expenditure: such as, Salaries, Rent, Postage, Advertising, Supplies, and Interest paid, etc.

The Journal is to be used as a book of entry preparatory to the Ledger. In modern bookkeeping, to save time, the items in the cash and other books are, however, often posted direct to the Ledger in detail or in total without first passing through the Journal.

The Cash Book or Books are used to record the details of incoming and outgoing cash.

The Trial Balance Book is used to record the balances against the various ledger accounts at the end of each month so that it can be seen if the ledger is in balance.

## 3. The Cash Records

- a. Cash Book or Books
- b. Check Books
- c. Pass Books
- d. Petty Cash Book

## THE CASH BOOK

In small companies doing only a chattel loan business entries can very well be made in one Cash Book. If, however, the transactions are numerous or a company handles pledges and chattels both, it is desirable to have more than one book, not only on account of the different nature of the entries, but because it would permit several clerks to work to better advantage without causing serious delays and unnecessary waiting on the part of borrowers.

One or more books or loose sheets for incoming cash and one or more books for outgoing cash, with perhaps a General Cash Book to collect the daily totals, might be advisable; it all depends upon the particular needs of the society in question.

If an attempt is made to handle incoming money in savings bank style the office would need two clerks constantly at the window for the cash transactions, namely, a cashier and another clerk as a check on the cashier. This method while effective is too expensive for a chattel loan company so that one receiving and paying clerk will have to suffice, but there must be a check on this clerk.

There are a number of precautions to be taken which will act as a check on such a clerk:

1. A daily agreement at the close of day of the balance per the cash records with the amount of cash in banks and on hand.
2. A posting of the cash received from borrowers to their ledger accounts or the checking by another clerk of such posting if it is done by the cashier.
3. A duplicate account of each borrower written up by the cashier can be kept in the hands and under the scrutiny of the borrower.
4. If all cards are numbered serially they must all be accounted for on the Trial Balance, and several people handling the cards are likely to discover discrepancies, if any.

5. If the cashier is replaced at lunch time and during vacation, another clerk may find evidence of wrongdoing.
6. Letters to delinquents should be written and sent out by some one other than the cashier.

It is obvious that in any accounting scheme a society is greatly at an advantage regarding easy calculations by having a ten-months' loan period.

Regarding fees received, where they are deducted in advance—which is the simplest and surest way—the amounts of the loans paid out are a positive check on the receipt of the fees and the amounts thereof.

As to a check on the cash receipts for interest, it would be a very long-winded process to prove their accuracy in bulk—too lengthy in fact to pay. It is quite a different proposition from that of interest on loans on pledges which requires only one calculation per loan, whereas in the case of chattels there are ten or more. The good old-fashioned way can be applied, namely: At the time the posting to each borrower's account is checked, have the calculation of interest received checked as well.

#### PASS AND CHECK BOOKS

These books would be used in the customary way, not forgetting in the check book to add both deposits and checks drawn clear through from beginning to end of month before deducting the latter from the former. Pass Books should be balanced at the end of each month and the balance per bank reconciled with the balance per check book and the outstanding checks.

#### PETTY CASH BOOKS

When a petty cash account is kept the best procedure is to set aside a round sum for such use, say \$100; at any time an examination would disclose an aggregate amount of cash and paid vouchers of \$100. When the money is exhausted a check can be drawn for the total of the vouchers and the fund made

good to its original amount. Such a transaction should always be made on the last day of each month.

#### 4. Accounts with Borrowers

##### a. The Society's Records

Owing to the considerable handling and examination of the individual accounts with borrowers it would be inconvenient to have these accounts in bound books. For similar reasons it would be little better to have the accounts in loose leaf ledgers because of the many new accounts constantly coming in and old accounts going out. The best method of all would seem to be to have a ledger card for each individual account.

A convenient form of card would show at the top the days of the month, the number of the account, the name and address of the borrower and the date of the month on which the account is due. Below that would come the account proper, showing columns for the date, principal and interest received and the balance still due on principal. The interest, for convenience' sake, may be divided into two columns: one for the regular interest and the other for interest on delayed payments. Other space may be used for data concerning notices, letters and extensions. On the back may be put remarks concerning new addresses, removals, etc. The cards should be filed by number and a borrowers' small index file should be kept alphabetically in conjunction therewith. It is a good plan to keep several boxes for the current month and several for the succeeding month. When a borrower pays the current month's instalment the card may be taken out and placed in the box for the succeeding month. At the end of the month there will be left in the current month's box only those accounts which have not been paid. The delinquent accounts on which payments were due prior to the current month are best kept aside from these two groups, filed alphabetically in a separate box.

When a loan is made a little clip can be placed at the top of the card over the day of the month on which instalments are to be paid, so that it is easy at any time to take out cards on which instalments have not been paid and notify the borrowers.

It would not be necessary or perhaps even desirable that time and trouble should be taken to make debits to each borrower's account for each instalment, or for any part of the interest chargeable. Each society, no doubt, has its rate sheet showing range in amount of loans, the amount of the various instalments due during the term and the monthly interest payable. It would seem to be sufficient to keep a record of the regular repayments, month by month, together with the interest applying thereto, and when accounts do not become delinquent—delinquents are in the minority—there should be an equal amount of principal shown in the account each month as having been received; the amounts of interest received would run down the scale in exact accord with the rate sheet.

It is with accounts which become delinquent that any question could arise regarding the advisability of this scheme but a small note made against each delinquent instalment as paid would show which month it belonged to; the amount in the balance column should always show what principal is yet unpaid.

#### b. The Borrower's Record

The Borrower's Record may be similar to the record which a great many instalment houses use: viz., a small pass book containing the rules, extracts from the law and a schedule of the rates, etc. The account proper would show the name and address, the amount of the loan and number of the account, and the date on which instalments are due each month.

### REPAYMENTS BY BORROWERS

Where such transactions are numerous the procedure might be as follows:

When a loan is being repaid the borrower should hand in the Pass Book with the money. The cashier should take the Ledger Card with corresponding number from the box, make a note on a Cash Sheet of the amount of principal and interest and make a similar note on the Ledger Card. The book should then be receipted and handed back to the borrower.

As each borrower's account must be kept constantly up-to-date, it is necessary for some one to check this Ledger Card

with the Cash Record at the earliest possible moment. The Ledger Cards may be laid aside and kept intact until checked by another clerk with the Cash Sheet on the following morning. At the same time it can be seen whether the interest calculations are in order. Leaving the cards for the current day thus separate, is very convenient in case of a difference in the cash at night, which has always to be considered in a business where there is such a volume of small transactions. After being checked in the above manner the cards can be filed away in the box for the succeeding month.

#### DELINQUENT ACCOUNTS

By means of an adding machine it is easy to run off on a slip of paper at the close of the month the balances of those accounts which still remain in the current boxes and also of those in the delinquent box. A useful comparison for chattel loan societies can then be made by finding the percentage which the total of such delinquents bears to the total outstanding accounts, in number and amount. If the percentage is decreasing it is a cause for satisfaction; if the percentage is increasing there should be more strenuous endeavor. It would seem as though all the chattel loan societies in this Federation should show figures made up in that way so that if any of them have discovered any royal road to reducing delinquents to a negligible quantity, they could be invited to disclose their method to the other members.

#### TRIAL BALANCE BOOK

Not only the balances of the General Ledger should be kept in this book but also those of the borrowers, for by reason of the many small duplicate amounts in the borrowers' accounts it is impracticable to do without this useful book. One could do without it by drawing off the balances on an adding machine but in case of a difference it would be necessary to do a great deal of checking back in order to find it. The most convenient method is to use a short leaf Trial Balance Book with several columns, one for each month, in which the numbers of all accounts appear serially. When an account is fully paid, this

fact may be noted in the column for that month, so that when drawing off the balances there would be no balance against that account, though there would be against every other number. This will be a check on missing cards. Where there is a number without an amount the card must be found and the balance inserted. The total amount of all the balances should agree with the balance of the loan account in the General Ledger which is written up from the Cash Book in monthly totals only.

### SURPLUS

It is important to know what disposition has been made of surplus throughout the year, if there have been any dividends paid therefrom, and the rate paid.

In this connection it is well to state that it is good accounting, when once a surplus figure is established at the end of a year, not to alter or adjust it for every trivial amount found during the succeeding year to relate to the year previous; otherwise there can be no connection between annual report figures of that account without an elaborate explanation.

### OTHER RECORDS AND FILES

Other records at the discretion of each society would be the Investigator's Book, the Search Book and the Report Book for records respectively of applications in process of investigation as regards furniture value, prior liens thereon, and credit record of borrower.

We should not forget the files for applications and correspondence, and they should be conveniently placed as they are in constant use. Fire insurance policies, etc., must also be well taken care of.

### STATE REQUIREMENTS

The requirements in the various states are no doubt different in many respects, but we can safely say that most of the reports are to be made up on a cash basis as this seems to be the favorite idea of the legal mind. Therefore in this paper, expecting that ledgers will be kept along this line, I have not referred to a Voucher Register in which to record accounts

payable. I have preferred that the latter should be dealt with as payments through the Cash Book, assuming them to have been practically all paid at the end of each month and year. State departments and also the United States Government wish to ascertain for taxing purposes the totals for the year of all revenue with deductions for the expense items, notably salaries and rent, etc.; therefore it is well to have in the Ledger, the Cash Book or elsewhere, a classified distribution of expense items. Perhaps it is possible for the societies in this Federation to arrive at a standard expense classification which can be used by all for the sake of comparison. Interesting percentages of the principal expense items can be worked out as against the amount of business done, etc.

#### DIRECTORS' ACCOUNTS AND ANNUAL REPORT

Regarding directors' accounts, one might ask, "What is a director?" The answer would be "One who directs." Therefore in order to direct a loan company, one would want to be furnished with sufficient figures and data so that the reasons for progress or vice versa could be grasped quickly without going into a maze of figures or an elaborate report. If a director were provided monthly with a Balance Sheet, a Profit and Loss Account, a Condensed Cash Account and a Statement of Operations showing this year's figures as against last year's figures, he would seem to be well provided.

Such figures, which are required for the directors each month, would seem to be equally suitable for the Annual Report—the standardization of annual reports being the goal at which we are aiming in any uniform system of accounts for the societies comprising this Federation.

The Balance Sheet should show among other things,

##### As Assets:

- Cash in banks and on hand
- Outstanding loans to borrowers
- Securities owned
- Interest accrued on loans to borrowers

##### As Liabilities:

- Capital, surplus and borrowed money employed

Amount of any reserves  
 Accrued interest on borrowed money  
 Balance of the Profit and Loss Account  
 (Under "Surplus" could be shown the dividends paid during year since last report.)

The Profit and Loss Account should show in the same way,  
 Interest earned on loans to borrowers  
 Interest earned on securities owned  
 Fees earned  
 Interest paid on borrowed money  
 Salaries, rents, advertising and other expenses  
 Bad debts incurred, either net or gross, with recoveries applying thereon.

The Condensed Cash Account should show,  
 Balance at beginning and end of the period  
 Receipts of cash such as  
   Repayments on loans  
   Fees received  
   Interest received  
   Sales of securities  
   Money borrowed  
   Recovery of bad debts  
 Payments of cash such as  
   Loans made  
   Expenses  
   Securities purchased  
   Borrowed money repaid  
   Interest on borrowed money  
   Dividends paid

The Statement of Operations might show  
 Number of business days  
 Number of applications received  
 Number of loans made  
 Percentage of number of loans made to applications received

Amount of loans made  
 Average amount per loan  
 Number of loans paid off  
 Number of repayments on loans  
 Maximum number of repayments per day  
 Minimum number of repayments per day  
 Amount of repayments on loans  
 Average amount of repayments  
 Average per day for  
     Applications received  
     Number of loans made  
     Amount of loans made  
     Number of loans paid off  
     Number of repayments on loans  
     Amount of repayments on loans  
 Number of loans outstanding at close of period,  
     non-delinquent and delinquent  
 Amount of same to correspond  
 Amount per outstanding loan both non-delinquent and  
     delinquent  
 Percentage in delinquent accounts as compared with the  
     total outstanding accounts in number and amount.

A comparison of the percentages of the various societies in  
 the relationship of loans made to applications received might  
 show that one or two societies had economical or effective  
 methods which could very well be adopted by all. If we knew  
 the number of investigators employed by a society it would be  
 easy to see about how many applications a man could handle in  
 a day, possibly there are some who make short cuts successfully.

The various data for the Balance Sheet and for the Profit  
 and Loss Account would be taken from the General Ledger or  
 perhaps more conveniently from the Trial Balance Book; and  
 the Condensed Cash Statement would be made up from the  
 twelve monthly totals of the Cash Book.

Independent sheets or books would need to be kept to record  
 the number of applications received. The number of loans paid

off could be ascertained by referring to the Trial Balance. The number and amount of loans made, or repayments on loans could be taken from the cash records.

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## ESSENTIALS OF A UNIFORM SYSTEM OF ACCOUNTING FOR PAWNING SOCIETIES

C. E. BURNHAM, Worcester, Mass.

In presenting a paper on this subject I will not attempt to outline a system suitable for a large city competent to support an association loaning exclusively upon pledges. The plan, as I present it, should be suitable for an annual business of about \$30,000 in a city having a population of 200,000 and for a corporation transacting a chattel and pledge loan business combined. This business needs only a simple form of bookkeeping and its accounts should be kept entirely separate from those of the chattels department.

My first book would be a Cash Book, in which would be entered all daily details. The regular Cash Book I use has four column rulings on the debit side:

LOANS    INTEREST    SALES ACCOUNT    SUNDRIES

On the credit side:

LOANS    GENERAL EXPENSE    SALARIES    SUNDRIES

I would have the following General Ledger accounts:

Capital

Interest

Gain and Loss

Surplus

Expense

Foreclosed Pledge Accounts

Sales Account

Permanent record books are needed:

1. For a list of all foreclosed pledges giving date of sale, original loan and amount realized from the legal sale.

2. For a merchandise list of foreclosed pledges for sale,—an inventory of the goods, the amount of the loan, and the price at which sold to the final purchaser.

3. For a stock list of live loans to verify the general ledger accounts—a list of the number of loans and a description of the goods. This should be checked every six months by actual inventory.

In the forms submitted to me by the various companies I found only one radical difference. Some have a card ledger account with the pledge borrower, crediting partial payments on the account and holding the stock number until the loan is paid. The system I recommend provides for the complete closing of each account when any payment is made on the principal. Any partial payment of interest should be refused as it is bound to complicate the plan.

The Loan Book should contain a column in which is entered in black ink the date of loans paid within the proper time limit, and in red ink the date of the foreclosed sale on defaulted loans. There should also be columns for the date of loan, the number of the loan, the name and residence of the borrower, the number of the old loan if a renewal, and a description of the article pledged.

The Payment Book should have columns for dates, number of loan, name of borrower and notes. I check against the number of the loan in posting and write in the date to correspond to the Loan Book as before mentioned.

The Appraisal Record is kept on an application card with the signature of the borrower, amount of loan, description of article pledged, and age and personal description of the borrower. These I file alphabetically. The blanks for Police Returns are furnished by the police department in most cities and are only copies of the Loan Book entries.

I submit these suggestions, hoping that they may be used as possible copy for a plan to be perfected and copyrighted by the National Federation of Remedial Loan Associations.

## HOW FAR SHOULD A SOCIETY LOANING ON BOTH CHATTELS AND PLEDGES MAINTAIN SEPARATE SYSTEMS OF ACCOUNTS?

W. J. KIRKPATRICK, Cleveland, Ohio\*

In the selection of this topic I assume that the committee had in mind the practicability and advisability of separating the chattel and pledge loan accounts by means of a system which would show at any time the actual cost and profit of conducting each branch of the business. The question of how far or in what detail separate systems of accounts could profitably be kept is really an accounting problem. I shall speak only of the advantages that may result from maintaining separate systems. If separate accounts are maintained they should be kept in sufficient detail to show not only the cost and profit on loans on chattels and pledges but also the relative cost of large and small loans.

Our company has never made a practice of separating the cost of loans on chattels and pledges and the only knowledge we have of the cost of each branch is the general knowledge secured through familiarity with the business, yet we feel reasonably certain that we are actually losing money on chattel loans of less than \$30 in amount. If separate systems of account should be generally adopted the information derived therefrom as to the relative cost of chattel and pledge loans and of large and small loans in both branches would be of benefit not only to our board of directors but also to all the members of this Federation and to the general public as well.

I believe it is essential to the success of any business that such an accounting system be maintained as will distribute profits and losses among the departments to which they belong. No manufacturer, large or small, can reasonably hope to compete successfully with rivals in his trade unless he can place his wares upon the market with a definite knowl-

\*Mr. Kirkpatrick was not present. His paper was read by the Secretary.

edge of their cost. To be able to do this he must know the actual cost of production in each department through which the article passes in the process of manufacture. The foundry, machine shop and assembling room may all be operating at a minimum cost and show a handsome profit which, however, can be swallowed up by the selling organization and overhead charges through lack of proper system in the distribution of expense items. Banks maintaining trust, real estate and loan departments must keep individual accounts not only to conform to governmental regulations but because it is absolutely necessary to the successful conduct of their affairs.

There is no question in my mind that this should be the policy of the remedial loan society at the present time. We should at all times be able to show not only the cost of maintaining the business as a whole but also that of each branch so that one may not suffer through the other. Appreciating the established prejudice against loan associations, it behooves us to be able, when necessary, to show such knowledge of the business as will in itself be a sufficient defence against unwarranted criticism from which many loan companies suffer. We can not with intelligence establish equitable rates of interest, charges and rules governing the business unless we know just what it is costing us to make or carry a large or small loan of either class. There is such a marked difference in the expense of making and carrying the two classes of loans that we should not permit the public to gain the impression that the chattel loan can be made at the same rate as the pledge loan.

But it must be remembered that the underlying motive of our individual associations is semi-philanthropic. The directors of our company have always maintained the policy of assisting the less fortunate class of borrowers, and I am fearful that they might not consider the knowledge which they might obtain by maintaining separate systems of account, of sufficient importance to warrant any substantial increase in overhead expense. As a business proposition I do not question that separate systems of account should be kept, not only for the benefit of the individual associations but also for the benefit

of the Federation, but I must emphasize the fact, in addition, that it is essential that the increased expense of maintenance be reduced to a minimum. Otherwise it would defeat, in the case of my own company, our primary object—loaning to the needy at the lowest possible rate.

Detailed information as to operating costs would be valuable for comparative purposes to all the members of this Federation and would assist in some measure in determining, and possibly in increasing, the remedial character of our work.

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Fourth Session, May 14, 1915, 2:30 p. m.

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On motion of Mr. Taylor a vote of thanks was extended to Mr. Finley and the Chattel Loan Association of Baltimore for an excellent luncheon tendered the members of the Federation.

THE CHAIRMAN:—We will first discuss the papers read this morning in their bearing upon societies loaning solely on chattels.

MR. BURNHAM:—I like the suggestion of detail in treating the collection of chattel mortgage loans. At present I have no check on the cashier's books. A monthly report showing the proportion of delinquencies to live accounts and exact statistics of over-due accounts of all classes, including accounts carried out for special treatment, would provide a check upon the cashier and other clerks and furnish an exact basis of comparison with the operations of other societies.

MR. MORGAN:—What is the best card scheme for recording trial balance when accounts are kept in alphabetical order and the number of the account is simply the number of the application received? Each month the order of accounts is slightly different where new accounts have been put in or old accounts taken out.

MR. FINLEY:—Is there any advantage in a card system over a ledger?

MR. MAPES:—I do not think Mr. Morgan will get out of trouble if he keeps account cards under alphabetical filing because the trial balance book will have to correspond. The proper way is to file them numerically and keep small 3 by 5 cards filed alphabetically to indicate the number of each account.

(*To Mr. Finley*) There are a number of advantages. When putting an account into a bound book it has to be indexed. The disadvantage of a bound book is that two or more clerks might want to use it at the same time. They must be able to see an account at once and a card system permits this. The cards should be checked up each day, as I said in my paper. We find that our scheme works very well. Our cards are numbered and filed by number with the exception of delinquents. As soon as an account becomes delinquent the card is taken out and filed alphabetically in the delinquent file.

THE CHAIRMAN:—Is it not true that one of the chief advantages of the card system is the ease with which delinquent accounts may be discovered by it?

MR. MAPES:—Yes. The system shows who have paid and who have not. Gradually the cards are taken out of the current box and at the end of the month all the delinquents are together. If an account has not been paid on the day due, we send a notice. At the end of the month we list on the adding machine all the delinquents on the books.

MR. PHILLIPS:—In connection with taking off the trial balance at the end of the month, I first tried to do this by an alphabetical arrangement of the accounts and found that this could not well be used. To carry the cards numerically during the month necessitates an index in order to locate the number and is an additional piece of work, so that I now carry the cards alphabetically and sort them on the last day of the month numerically for my trial balance. To do this takes about five hours during the month, but it seems to me to be worth it.

MR. DAVIS:—I believe that the Newark society has a simple and very efficient method of keeping track of its loans. Upon it the system of the Chattel Loan Society of New York was modeled to some extent. The application is referred to the appraiser. If he reports favorably and the manager approves, the mortgage is made out by a stenographer and completed by the commissioner of deeds, who also makes out a white slip which contains the name of the borrower and the number of the loan. A check is made payable to the borrower who endorses it and the white slip with the check is then sent through to the cashier. In that way we have a check on the amount loaned and also a receipt on the back of the check for the amount paid. The white slip is entered into a loose leaf ledger, with the name and the number of the account, and the amount and date due. It is then entered in a daily tickler system.

We do not disturb our borrowers in any way until they are five days overdue. Delinquents first receive several letters, then a call from our collector and finally a visit from me.

The white slips are filed in my desk. When accounts are paid the loose leaves are removed from the ledger each month and placed in letter files numerically. In that way we have all the loans that have been made by the association always before us and can readily get any information needed. The application is filed in an envelop in an index cabinet. The loose leaf ledger is the best system as it enables you to refer quickly to an account years later. We use a card index in addition for convenience in ascertaining whether we have ever made a previous loan to an applicant. We rarely go to the home a second time, thereby saving expense on renewals.

THE CHAIRMAN:—How many make second loans without making a new inspection of the security?

About half of those present raised their hands.

COL. POND:—Our system is somewhat like those already described. We use a card index, a tickler card, a ledger and a counter sheet. The tickler card is divided into months at the top. When a payment is made the clerk takes out the tickler

card and with a check mark indicates when the next payment is to be made and also the amount of the payment. The flag at the top of the card is moved to indicate the time when the next payment is due. Notations of all kinds are made on this tickler card which is a temporary record and is filed alphabetically behind a permanent card. Posting is not from the card but from the counter sheet.

In taking payments we used to use the counter sheets entirely, which required two receiving tellers. Recently, we installed a machine like a cash register which registers the clerk who received the payment, what the payment was received upon, the amount received, the serial number of the transaction and the date; it prints the receipt on the receipt book and registers the whole transaction on a roll from which the bookkeeper posts to the ledger card. It saves a great deal of time.

The question of following up delinquents is, of course, one of the most important features of our work. When accounts are only two or three days over-due, the receiving tellers send out notices to them on the day following the delinquency. "Red line" accounts which are more over-due go to another member of the force. Other accounts which we term "Yellow Accounts" demand close attention because they are liable to slip out. Such accounts go to still another person for special treatment.

MR. PHILLIPS:—We have the same arrangement of colored cards.

THE CHAIRMAN:—How many present use a ledger card filed either alphabetically or numerically for keeping track of loan accounts? How many use bound ledgers and how many use loose-leaf ledgers?

Show of hands indicated that twelve use loan cards, four use bound ledgers and eight use loose-leaf ledgers.

MR. MAPES:—In matters of bookkeeping and accounting the real test depends upon the quantity of transactions.

MR. PHILLIPS:—I move that a committee of three be appointed to report on this subject at our next convention.

MR. MAPES:—Why cannot this committee also work out a tentative plan for a uniform system of accounting for chattel loan societies and pawning societies?

MR. BURNHAM:—I second Mr. Phillips' motion.

MR. TUCKER:—You are placing a very large burden upon this committee. You must realize that this is technical and professional service which means a great deal of detailed work. I feel that it is an unfair burden to put upon the committee. The committee might work up general principles and through correspondence there might be a consensus of opinion developed as to what details should be cared for. We started with what has been to me one of the most important sessions that this Federation has ever held but we seem to have gotten away from the important fundamental things to a discussion of details. The fundamental thing is for each organization, of any one of the three types that we are familiar with, to have such a system of accounting and such technical and professional advice in accounting methods as will produce the facts about our work that we need to know. It seems to me that all the papers which were presented this morning—the problems of the new society, the discussion by Mr. Stroup, the words of Mr. Kirkpatrick, the detailed papers of Mr. Mapes and Mr. Burnham—are closely related. The fundamental difference between a remedial loan society and the loan shark and various other commercial attempts that have been made to deal with this form of money lending, is that the remedial loan society is honest and fair in stating the facts of its work, whereas the loan shark makes a presentation of the case that is false and calculated to deceive the individual who must make use of his facilities. I mean that the loan shark who advertises that he loans at 6% is not honest. When the Morris plan company makes a statement that it loans money at 6%, it makes a statement that is equally unfair.

We are going to go through a period of discouragement. We are going to see the loan shark flourish and other forms of commercial exploitation of this field appear, but in my judgment this will be only temporary if we are honest with ourselves and with others. In order to be honest and fair we must know the

facts of our own work, and there is not a single society represented here to-day, in my opinion, all the facts of whose work are known to the active executive,—and I do not except myself. If you cause an investigation of your work to be conducted by trained men you will be surprised by some of the things that will be discovered.

In our own case, it has been a matter of interest for some time to know how much we actually lose in a year upon the loans that we make at  $\frac{1}{2}\%$  for two weeks. It is just as interesting to everyone conducting the chattel business to know where the line of demarcation is between the loans that do and do not pay for themselves. We want to know what the loss is. We want to know the volume and number of transactions. When we get that knowledge we are in a position to go before the public in an enquiry of any kind and make a statement of fact that is startling. We discovered that in 1914 80,000 loans, in round figures, were paid within two weeks; that the amount of these loans was something like \$2,300,000; that the average amount of these loans was normal and that the actual loss involved in handling these 80,000 loans in the year was \$33,000,—figuring the same operating cost for all loans, which is fair, and figuring the cost of our capital in round figures at 6%. We had a notion that that facility was being used for commercial purposes and that we would discover that the average of these loans was very much higher than the average of all loans, but we found that the average was entirely normal and that their greatest volume was in the offices located in the Jewish sections of the city—just the reverse of what we thought.

There is always an inequality in transactions of this sort. It is one of the few things in which the small man has a great advantage. How, if you admit that your object is exact justice to everyone, can you equalize this discrepancy in favor of the small borrower? There are many considerations involved in a reduction of the interest rate and we wanted to find how we could equalize this discrepancy and how much it would cost us in revenue if we reduced our rate, for instance, from 1% per month to 1% per month for the first six months and  $\frac{1}{2}\%$  per month for the second six months. We discovered that it would cost

us a loss in revenue of \$175,000 a year. Then you have the facts upon which to base a judgment as to whether the surplus each year is adequate to the risk of the very large amount of money involved. There should be a direct percentage relation worked out between the capital employed and the surplus maintained.

I have stated the difference, as I see it, between the remedial loan society and the loan shark or the organization that is formed for commercial exploitation. You cannot masquerade. You cannot say you are both commercial and charitable. You ought never to use the word "charitable" in connection with your work. The correct statement, as I see it, is that you are business organizations with a social purpose,—the social purpose being to meet an existing need at the lowest possible cost, with justice to the one who is the victim of the need and to the one who is trying to meet it.

To be honest, to be fair with the public, with charitable and investigating committees and with city bodies, we must have full knowledge of our own affairs. We can only get the knowledge we ought to have through sound accounting systems. Smaller societies which do not have the required talent at their command must develop it. There can be worked out through correspondence, circulars and otherwise, a consensus of opinion as to what are the fundamentals of a sound accounting system for the various types of societies, and as we go on and one of us thinks of a new type of information that he wants to have, let him pass it on. We should all be perfectly willing to communicate to each other whatever knowledge we discover for ourselves, so long as the organization which asks it is measuring up to our standard. Each organization must work out its problems largely for itself but there can be developed through exchange of ideas a consensus of opinion as to what the standards of knowledge ought to be for ourselves and for the public.

THE CHAIRMAN:—A motion is before the house made by Mr. Phillips and seconded by Mr. Burnham, that the whole matter of uniform accounting be referred to a committee of three to report in all details to the next convention.

MR. STROUP:—Some may desire information during the ensuing year in the preparation of their reports. Such information as is gathered together might be placed at the disposal of the members before the next convention.

Mr. Stroup's suggestion was put in the form of an amendment and the motion as amended was carried.

MR. CAVANAUGH:—I am wondering what is the general mode of procedure in investigating the court record. We have established a card index system which makes it unnecessary to go to the court house to see the records. It contains a record of every chattel mortgage filed, all suits, divorces or marriages, etc., in the last four years that are indirectly or directly interesting to me. After receiving the application I examine the card record and verify the information given. We now have about 40,000 interesting and valuable records which save the work of one man.

THE CHAIRMAN:—You trust entirely to the published index for your information?

MR. CAVANAUGH:—Yes, it is safe to do that. The expense of making up the index was small, and a girl from a commercial college at \$7 a week is able to keep it up to date. It takes little time to go back through the card index for a year.

MR. PHILLIPS:—In New York the court house record is indexed alphabetically so that we do not need such a system.

MR. CAVANAUGH:—If you do not need it, it is not interesting. It is interesting to us for it saves us the time of a man who used to spend three hours a day in the court house.

THE CHAIRMAN:—There is now pending before Congress a bill amending the District of Columbia law so as to permit a charge of 2% on monthly balances in place of 1% as now allowed. Mr. Wm. H. Baldwin requests that this Federation go on record as approving this amendment.

MR. FINLEY:—The Washington situation is an impossible one. Congress has passed a law under which it is impossible to operate, for it restricts the charge to 1% per month. It is openly

and flagrantly disregarded and this bill is intended to prevent the continuance of the practices which are now being carried on. Pawnbrokers in the District of Columbia are evading the present law by operating just outside the District under the Virginia law. I move that this bill as recommended by Mr. Baldwin and by Mr. Exnicios be approved, and that the Chairman shall so officially notify Mr. Baldwin in order that Mr. Baldwin can make use of our approval before the District of Columbia Committee.

Seconded and carried.

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#### ELECTION OF OFFICERS

Following the report of the Nominating Committee Mr. Charles H. Brown, Jr., of Buffalo, was re-elected Chairman and Mr. George E. Upson, of Utica, was elected Secretary-Treasurer.

THE CHAIRMAN:—I very much appreciate your kindness in approving the administration of the past year. It is a pretty difficult thing to stand in Mr. Finley's place and make things go with the same ginger.

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#### REPORTS OF COMMITTEES

##### COMMITTEE ON ANNUAL REPORT

Mr. Davis submitted the following report of the Committee on the Annual Report:

The committee believes that the annual report of each society, exclusive of matter contained in the report of the president or secretary, should contain the following:

Comparative Balance Sheet at Dec. 31st, for current and previous years

Comparative Profit and Loss Account for current and previous years

Condensed Cash Account for the year

Statement of Operations for both the current and previous years, showing volume of transactions each month in number and amount, together with figures per day or per loan, and certain percentages which may be deemed advisable.

It is our opinion that a tentative form for these statements should be drawn up and submitted in circular form to the various societies. Later when all have reported concerning the forms, a committee appointed by the Chairman should condense the matter to practical form in time to be put in effect for the year 1916.

Wm. F. DAVIS, Chairman  
L. D. MAPES

THE CHAIRMAN:—You have heard the report of this committee. It contains a suggestion that the matter be referred to the full membership of the Federation in circular form and that the final findings of this committee be submitted to the Federation in time for the preparation of the members' next annual reports.

It was moved and seconded that the preliminary report of the committee be accepted; that Mr. Ham be added to the committee, and that the committee, after obtaining the individual opinions of the members, prepare a model form of report.

THE CHAIRMAN:—There may be some present who care to discuss briefly the essentials of an annual report. Does anyone want to speak on this subject?

COL. POND:—Uniformity is very necessary and I believe that after this committee has agreed upon a form, the reports of the members should be made in accordance with that form, similarly as the information is given to Mr. Ham for the statistical report.

THE CHAIRMAN:—This is a suggestion for the annual report of each society to its stockholders. What are the essentials of a report to be made to the stockholders and to the public and what are the essentials of the report which we as managers should have?

MR. DAVIS:—The present reports of some of the members are very confusing. If we had a uniform method of reporting it would help greatly.

MR. MAPES:—It may be that Col. Pond's idea of having a set of blanks which each society could fill out for the benefit of the other societies might be better than publishing an annual report. The cost of chattel and pledge departments might be kept separate.

MR. FERGUSON:—I think the committee can give us one form for an annual report to the stockholders and directors and another form which would be of special interest to us as executives.

THE CHAIRMAN:—It has been the practice of loan sharks and companies engaged in the loan business solely for profit, to withhold practically all information regarding their finances from the public. We have prepared for the public a variety of information from papers read at conventions to comprehensive reports of societies like the Provident Loan Society of New York. Our present object is to standardize certain information. Any society can give, in addition, as much information as it wishes.

#### COMMITTEE ON THE CHAIRMAN'S REPORT

COL. POND:—The committee recommends that the resignation of the Society for Savings and Loans of Washington, D. C., be accepted.

On motion the resignation was accepted.

COL. POND:—The committee recommends that the resignation of Mr. R. R. Stevens who served as secretary of the Federation up to March, 1915, be accepted with regret.

On motion the resignation was accepted.

COL. POND:—The committee recommends that the constitution be amended as follows: That after the word "Secretary", "Treasurer" be inserted so as to make it read "Secretary-

Treasurer," and that after the word "Committee." the following be inserted: "Any vacancies occurring between conventions shall be filled by the Executive Committee"; making the section read as follows: "The officers of the Federation shall be a Chairman and Secretary-Treasurer. These, with seven others appointed annually by the Chairman, shall constitute the Executive Committee. Any vacancies occurring between conventions shall be filled by the Executive Committee."

On motion the foregoing amendment was adopted.

COL. POND:—The committee recommends that the annual dues be fixed at \$25, regardless of loan balance or capital employed, and that societies admitted during the year pay a proportionate amount for such part of the year as they shall be members.

It has seemed to your committee that a small company gets as much benefit from membership or perhaps more benefit than a company employing a million dollars capital.

After some discussion it was voted to amend the constitution in respect to annual dues in accordance with the committee's recommendation.

#### AUDITING COMMITTEE

The Auditing Committee approved the report of the Secretary-Treasurer.

#### COMMITTEE ON TRAVELING AUDITOR

The following report of the Committee on Traveling Auditor was submitted and adopted:

It has been deemed wise by this committee to reject the idea of a traveling auditor for the following reasons:

1. There would have to be two men, an auditor and an appraiser of pledges;
2. The quality of the men necessary would make their salaries prohibitive;

3. The traveling expenses would be high and add greatly to the cost;
4. Neither man would be able to visit each society enough times in the year to make his work as valuable as that of a local auditor or appraiser done oftener.

L. D. MAPES, Chairman

#### MEETING PLACE OF 1916 CONVENTION

MR. FINLEY:—There is a clause in our constitution which provides that wherever practicable we shall meet at the same time and place as the National Conference of Charities and Correction. I hope that the matter will be referred to the Executive Committee.

THE CHAIRMAN:—Most of us would prefer to meet in Detroit if it were not for this clause in our constitution.

MR. FINLEY:—I move that the Executive Committee take a mail vote as to whether we shall meet in Detroit or Indianapolis and that in that mail vote it shall be stated why Indianapolis is to be considered, the committee to have authority to decide.

The motion was seconded and carried.

The Chairman appointed the following to serve with the Chairman and Secretary-Treasurer as the Executive Committee: Messrs. Bigelow, Cavanaugh, Ham, Mapes, Pond, Rutherford and Tucker.

Convention adjourned.



## APPENDIX

CONSTITUTION OF THE NATIONAL FEDERATION OF  
REMEDIAL LOAN ASSOCIATIONS

**NAME.** This organization shall be known as The National Federation of Remedial Loan Associations.

**OBJECT.** The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

**MEMBERSHIP.** Subject to the decision of the Executive Committee, all societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate.

The annual membership dues shall be \$25; societies admitted during the fiscal year of the Federation shall pay a proportionate amount for such part of the year as they shall be members.

**OFFICERS.** The officers of the Federation shall be a Chairman and a Secretary-Treasurer. These with seven others appointed annually by the Chairman shall constitute the Executive Committee. Any vacancies occurring between conventions shall be filled by the Executive Committee.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.







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# BULLETIN

OF

The National Federation of Remedial  
Loan Associations

UNIVERSITY OF ILLINOIS LIBRARY,  
MAY 17 1917

UNIVERSITY OF ILLINOIS LIBRARY  
MAY 22 1917

November, 1916

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PROCEEDINGS  
EIGHTH ANNUAL CONVENTION  
DETROIT, MICH., JUNE 22-24, 1916

PUBLISHED BY  
THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS







UNIVERSITY OF ILLINOIS LIBRARY  
MAY 17 1917

EIGHTH ANNUAL CONVENTION

OF

The National Federation of Remedial  
Loan Associations

HELD AT

HOTEL STATLER

Detroit, Mich., June 22-24, 1916

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BY  
THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS

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# The National Federation of Remedial Loan Associations

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## OFFICERS

CHARLES H. BROWN, Jr., Chairman, 223 Ellicott Square, Buffalo, N. Y.

GEORGE E. UPSON, Secretary-Treasurer, 107 Paul Bldg., Utica, N. Y.

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## EXECUTIVE COMMITTEE

CHARLES H. BROWN, Jr., Buffalo, N. Y. FRANK TUCKER, New York, N. Y.

GEORGE E. UPSON, Utica, N. Y. RALPH C. GLIDDEN, Minneapolis, Minn.

F. E. STROUP, Grand Rapids, Mich. HUGH CAVANAUGH, Cincinnati, O.

CHAS. F. BIGELOW, Providence, R. I. R. M. RUTHERFORD, Louisville, Ky.

A. H. HAM, 130 East 22nd St., New York, N. Y.

## MEMBERS OF THE FEDERATION

---

		Organized
1	Collateral Loan Co., Boston, Mass. Thomas J. Reid, Gen. Mgr.	1859
2	Workingmen's Loan Assn., Boston, Mass. T. A. Richardson, Mgr.	Apr. 1888
3	St. Bartholomew's Loan Assn., New York, N. Y. J. R. Ferguson, Mgr.	Feb. 1894
4	Provident Loan Society of New York, N. Y. Frank Tucker, Vice-Pres.	May 1894
5	Worcester Collateral Loan Assn., Worcester, Mass. C. E. Burnham, Treas.	Nov. 1896
6	Workingmen's Loan Assn., Providence, R. I. Chas. F. Bigelow, Mgr.	Jan. 1898
7	First State Pawners' Society, Chicago, Ill. Samuel Wolfort, Mgr.	Nov. 1899
8	Citizens' Mortgage Loan Co., Cincinnati, Ohio. Hugh Cavanaugh, Mgr.	June 1900
9	Provident Loan Society, Milwaukee, Wis. J. H. Rubin, Mgr.	Feb. 1905
10	Newark Provident Loan Assn., Newark, N. J. Wm. F. Davis, Mgr.	Apr. 1905
11	Workingman's Collateral Loan Co., Cleveland, O. W. K. Kirkpatrick, Secy.	Apr. 1906
12	Provident Loan Society of Detroit, Mich. John E. Ryan, Mgr.	July 1906
13	Chattel Loan Co., Grand Rapids, Mich. F. E. Stroup, Treas.	Jan. 1910
14	Equitable Loan Assn., Minneapolis, Minn. R. C. Glidden, Mgr.	Apr. 1910
15	People's Provident Association, Louisville, Ky. R. M. Rutherford, Mgr.	Oct. 1910
16	Remedial Provident Loan Association, Paterson, N. J. F. X. Meegan, Mgr.	Nov. 1910
17	Welfare Loan Agency, Kansas City, Mo. M. M. Power, Supt.	Dec. 1910
18	Provident Loan Society, Seattle, Wash. H. C. Henry, Pres.	Jan. 1911
19	People's Loan Company, Portland, Me. C. A. McCarty, Treas.	Dec. 1911
20	Chattel Loan Society of New York, N. Y. George H. Loh, Mgr.	Feb. 1912
21	Provident Loan Society, St. Paul, Minn. D. S. Coffey, Mgr.	Feb. 1912
22	Utica Provident Loan Assn., Utica, N. Y. George E. Upson, Mgr.	Mar. 1912
23	Provident Loan Assn., Sioux City, Iowa. A. L. Whitmer, Pres.	Apr. 1912
24	Indianapolis Public Welfare Loan Assn., Indianapolis, Ind. C. R. Jones, Mgr.	Nov. 1912
25	San Francisco Remedial Loan Assn., San Francisco, Cal. Albert C. Auger, Mgr.	Dec. 1912
26	Provident Loan Society, Rochester, N. Y. F. A. Phillips, Mgr.	Dec. 1912
27	Remedial Loan Society, Buffalo, N. Y. Charles H. Brown, Jr., Mgr.	Jan. 1913
28	Onondaga Provident Loan Assn., Syracuse, N. Y. Erasmus Pellenz, Mgr.	Mar. 1913
29	Duluth Remedial Loan Assn., Duluth, Minn. Harry E. Berg, Mgr.	May 1913
30	Equitable Collateral Loan Co., Youngstown, Ohio. John E. Taylor, Mgr.	June 1913
31	First State Industrial Wage Loan Society, Chicago, Ill. Arthur E. Hill, Mgr.	Nov. 1913
32	Portland Remedial Loan Assn., Portland, Ore. C. Myers Herrman, Mgr.	Feb. 1914
33	Provident Loan Society, Dallas, Tex. M. J. Jacobus, Mgr.	June 1914
34	Remedial Loan Company of Philadelphia, Pa. Alfred V. Souder, Mgr.	Oct. 1914
35	Lynn Remedial Loan Society, West Lynn, Mass. Arthur J. Northrup, Mgr.	Apr. 1915
36	Provident Collateral Loan Company, Dayton, Ohio. H. A. Keesecker, Mgr.	Sept. 1915

## DIRECTORS OF THE MEMBER SOCIETIES

---

### COLLATERAL LOAN COMPANY Boston, Mass.

Charles P. Curtis, Pres.	Charles E. Ware
Lewis E. Moore	John F. Moors
William R. Dewey	Clarence W. Rowley
	Thomas J. Reid, Gen. Mgr.

### WORKINGMEN'S LOAN ASSOCIATION Boston, Mass.

Arthur Lyman, Pres.	Arthur S. Johnson
R. T. Paine, 2nd.	Herbert Lyman
John F. Moors	John H. Storer
Edmund Billings	Samuel Carr
Henry B. Cabot	F. M. J. Sheenan
Francis P. Sears	T. A. Richardson, Manager

### ST. BARTHOLOMEW'S LOAN ASSOCIATION New York, N. Y.

Rev. Leighton Parks, Pres.	W. B. Osgood Field
A. W. Krech	Henry W. Hayden
William A. Greer	E. W. Humphreys
George S. Brewster	Ambrose D. Henry
Warren E. Dennis	Henry P. Rogers
J. Morgan Wing	L. Stuart Wing
	Jas. R. Ferguson, Manager

### PROVIDENT LOAN SOCIETY OF NEW YORK New York, N. Y.

Otto T. Bannard, Pres.	Robert W. de Forest
Frank Tucker, Vice-Pres.	Percy A. Rockefeller
Mortimer L. Schiff	V. Everit Macy
James Speyer	William Sloane
George F. Baker, Jr.	David H. Greer
John D. Crimmins	Harold T. White
Frederic B. Jennings	George B. Hopkins
Horace E. Andrews	George S. Brewster

### WORCESTER COLLATERAL LOAN ASSOCIATION Worcester, Mass.

A. L. D. Buxton, Pres.	John T. Brierly
Chas. E. Burnham, Treas.	Lyman A. Ely
Henry L. Parker	Geo. E. Copeland
	Daniel Parlin

WORKINGMEN'S LOAN ASSOCIATION  
Providence, R. I.

Forrest G. Eddy, Pres.	Arthur W. Claflin
William Gammell	Preston H. Gardner
Rathbone Gardner	John R. Gladding
Robert H. I. Goddard	Chas. A. Catlin
Henry D. Sharpe	Walter G. Brown
	Chas. F. Bigelow, Manager

FIRST STATE PAWNERS' SOCIETY  
Chicago, Ill.

John V. Farwell, Pres.	David R. Forgan
John G. Shedd	Edgar A. Bancroft
Frank H. Jones	Thos. E. Donnelley
John W. Scott	Rollin A. Keyes
Edward D. Butler	Samuel Wolfort, Manager

CITIZENS' MORTGAGE LOAN COMPANY  
Cincinnati, O.

Louis E. Miller, Pres.	D. D. Woodmansee
Wm. H. Alms	B. H. Kroger
Ralph R. Caldwell	Harry M. Levy
W. B. Carpenter	D. B. Meachan
Sanford Brown	J. G. Schmidlapp
Max C. Fleischmann	Max Senior
	Hugh Cavanaugh, Manager

PROVIDENT LOAN SOCIETY  
Milwaukee, Wis.

E. A. Wadham, Pres.	H. M. Benjamin
C. W. Norris	J. H. Kopmeier
Wm. D. Lindsay	Walter Read
C. A. Loveland	John E. DeWolf
Wm. B. Rubin	Oscar E. Nell
	J. H. Rubin, Secy.

NEWARK PROVIDENT LOAN ASSOCIATION  
Newark, N. J.

Henry H. Dawson, Pres.	James A. Coe
Julius S. Rippel	Franklin Conklin
Benjamin Atha	Philemon L. Hoadley
David H. Merritt	Alexander S. Ward
Louis Bamberger	Walter C. Heath
G. Wisner Thorne	Wm. F. Davis, Manager

WORKINGMAN'S COLLATERAL LOAN CO.  
Cleveland, O.

A. D. Baldwin, Pres.	T. W. Hill
F. F. Prentiss	Reuben Hitchcock
S. F. Haserot	Wm. H. Hunt
Edward L. Howe	A. L. Stone
C. L. F. Wieber	H. H. Hackman
J. W. Walton	W. J. Kirkpatrick, Secy.

PROVIDENT LOAN SOCIETY  
Detroit, Mich.

Tracy W. McGregor, Pres.	James Inglis
D. M. Ferry	Bernard Ginsburg
H. E. Bodman	Wm. P. Stevens
Christian H. Hecker	James S. Holden
	John E. Ryan, Manager

CHATTEL LOAN COMPANY  
Grand Rapids, Mich.

Russell W. Bertsch, Pres.	Andrew Johnson
F. E. Stroup, Treas.	Ira Blossom
Ganson Taggart	Bert Owens
	Irving H. Stroup

EQUITABLE LOAN ASSOCIATION  
Minneapolis, Minn.

T. B. Janney, Pres.	J. R. Van Derlip
N. F. Hawley	W. G. Hudson
S. W. Wells	F. W. Clifford
L. E. Wakefield	G. H. Rogers
C. M. Case	R. C. Glidden, Manager

PEOPLE'S PROVIDENT ASSOCIATION  
Louisville, Ky.

Theo. Ahrens, Pres.	Caldwell Norton
Jno. W. Barr, Jr.	V. B. Smith
I. W. Berheim	Chas. C. Stoll
H. Bachmann, Jr.	C. E. Reed
R. F. Vaughan	R. M. Rutherford, Manager

REMEDIAL PROVIDENT LOAN ASSOCIATION  
Paterson, N. J.

John W. Ferguson, Pres.	Rev. Anthony H. Stein
August A. Fisher	William Hand
Dr. Joseph H. Kenna	James W. Cooke
Oscar J. Hulser	Charles M. King
	Francis X. Meegan, Manager

WELFARE LOAN AGENCY  
Kansas City, Mo.

William Volker, Pres.

M. M. Power, Supt.

PROVIDENT LOAN SOCIETY  
Seattle, Wash.

H. C. Henry, Pres.

PEOPLE'S LOAN COMPANY  
Portland, Me.

F. E. Boothby, Pres.  
C. A. McCarty, Treas.  
Wm. J. Harvey  
Francis W. Cunningham

Wm. T. Cousens  
Vernon F. West  
William H. Looney  
Silas B. Adams  
Herbert Payson

CHATTEL LOAN SOCIETY OF NEW YORK  
New York, N. Y.

Johnston de Forest, Pres.  
Robert W. de Forest  
Mortimer L. Schiff  
Finley J. Shepard  
George S. Brewster  
Paul D. Cravath  
Dave Hennen Morris

Andrian Van Sinderen  
Edwin G. Merrill  
John M. Glenn  
George D. Pratt  
Frank Tucker  
Harold T. White  
Henry Ruhlander  
Geo. H. Loh, Gen. Mgr.

PROVIDENT LOAN SOCIETY  
St. Paul, Minn.

C. J. McConville, Pres.  
Wm. S. McCurdy  
Louis Betz  
Ambrose Tighe

Gebhard Bohn  
L. S. Cushing  
W. B. Geery  
Charles L. Spencer  
D. S. Coffey, Manager

UTICA PROVIDENT LOAN ASSOCIATION  
Utica, N. Y.

George S. Daina, Pres.  
Thomas R. Proctor  
Isaac N. Maynard  
Merwin K. Hart  
Nellis M. Crouse

Charles A. Miller  
Reginald Crouse  
Sherwood S. Curran  
Francis K. Kieran  
Geo. E. Upson, Manager

PROVIDENT LOAN ASSOCIATION  
Sioux City, Ia.

A. L. Whitmer, Pres.	H. P. Guiney
W. P. Manley	F. A. McCornack
G. R. Whitmer	Geo. F. Whitmer
R. H. Munger	J. W. Kindig
	H. L. Houghton

INDIANAPOLIS PUBLIC WELFARE LOAN ASSOCIATION  
Indianapolis, Ind.

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Ralph Bamberger	Wm. J. Mooney
James A. Collins	Franklin Vonnegut
Rev. Francis H. Gavisk	E. T. Lewis
Chas. W. Fairbanks	C. R. Jones, Manager

SAN FRANCISCO REMEDIAL LOAN ASSOCIATION  
San Francisco, Cal.

Selah Chamberlain, Pres.	I. W. Hellman, Jr.
Frank B. Anderson	Jesse W. Lilienthal
W. B. Bourn	John McKee
Mrs. Francis Carolan	James K. Moffitt
J. Cheeve Cowdins	Mrs. Henry Payot
Wm. H. Crocker	M. H. Robbins
F. Dohrmann, Jr.	B. F. Schlesinger
John S. Drum	Henry Sinsheimer
Mort. Fleishhacker	Mrs. Louis Sloss
D. Ghirardelli	Albert C. Auger, Manager

PROVIDENT LOAN SOCIETY  
Rochester, N. Y.

Harper Sibley, Pres.	Joseph Michaels
Geo. J. Keyes	Wm. C. Barry, Jr.
O'Donnell Iselin	John F. Forbes
Geo. S. Van Schaick	Frank Keough
Isaac Adler	Percy R. McPhail
Harvey E. Cory	Kingman Nott Robins
Edward Harris	Robert C. Shumway
Jesse Lindsay	F. A. Phillips, Manager

REMEDIAL LOAN SOCIETY  
Buffalo, N. Y.

Ansley Wilcox, Pres.	Langdon Albright
John H. Lascelles	Chauncey Hamlin
Frederick C. Gratwick	Howard Bissell
Roderick Potter	Harry T. Ramsdell
John H. Baker	Chas. H. Brown, Jr., Manager

**ONONDAGA PROVIDENT LOAN ASSOCIATION  
Syracuse, N. Y.**

F. R. Hazard, Pres.	Robert Dey
T. W. Meachem	T. F. Anderson
Stewart F. Hancock	Leonard A. Saxer
Chester H. King	Joseph W. Dawson
Grant D. Green	Charles A. Hudson
C. L. Amos	Henry W. Jordan
Thomas Hooker	Morton D. Whitford
John A. Matthews	Erasmus Pellenz, Manager

**DULUTH REMEDIAL LOAN ASSOCIATION  
Duluth, Minn.**

Townsend W. Hoopes, Pres.	Oliver S. Anderson
R. B. Knox	C. F. Graff
F. W. Paine	Harry A. Berg, Manager

**EQUITABLE COLLATERAL LOAN CO.  
Youngstown, O.**

H. H. Stambahrg, Pres.	Richard Garlick
R. W. Forcier	W. E. Manning
R. E. Cornelius	John E. Taylor, Manager

**FIRST STATE INDUSTRIAL WAGE LOAN SOCIETY  
Chicago, Ill.**

Marvin B. Pool, Pres.	Henry Beneke
William H. Rehm	Louis Mohr
D. F. Kelly	Howard G. Hetzler
Gustave F. Fischer	Harry J. Powers
W. Rufus Abbott	Arthur E. Hill, Manager

**PORLAND REMEDIAL LOAN ASSOCIATION  
Portland, Ore.**

Ben Selling, Pres.	Ira F. Powers
Wm. D. Wheelwright	Jonah D. Wise
A. H. Devers	Wm. F. Woodward
J. F. Daly	Wilfrid P. Jones
Robert H. Strong	C. Myers Herrman, Manager

**PROVIDENT LOAN SOCIETY  
Dallas, Tex.**

J. K. Hexter, Pres.	H. D. Lindsley
H. C. Coke	Simon Linz
J. Howard Ardrey	M. H. Wolfe
Chas. H. Platter	R. E. L. Saner
Dean H. T. Moore	C. T. Rowan
George W. Riddle	C. W. Hobson
Royal A. Ferris	M. J. Orleans
J. T. Howard	A. T. Lloyd
Alexander Sanger	M. J. Jacobus, Manager

REMEDIAL LOAN COMPANY OF PHILADELPHIA  
Philadelphia, Pa.

Theodore J. Lewis, Pres.	T. Henry Walnut
John T. Emlen	Layton B. Register
E. Lewis Burnham	Roy Smith Wallace
Arthur Peck	Asa S. Wing
	Alfred V. Souder, Manager

LYNN REMEDIAL LOAN SOCIETY  
West Lynn, Mass.

B. F. Spinney, Pres.	Henry N. Berry
Rev. E. J. Dennen	E. V. French
Guy Newhall	R. E. Harmon
Wm. M. Nye	Henry F. Tapley
	Arthur J. Northrup, Manager

PROVIDENT COLLATERAL LOAN CO.  
Dayton, O.

W. D. Chamberlain, Pres.	Hugh E. Wall
F. A. Wagner	George B. Smith
John C. Shea	E. B. Weston
Dr. D. Frank Garland	Samuel Blau
Mrs. Julia C. Carnell	H. A. Keeseker, Manager



## PROCEEDINGS OF THE EIGHTH ANNUAL CONVENTION

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The National Federation of Remedial Loan Associations was organized at Buffalo, N. Y., June 10, 1909, and is affiliated with the National Conference of Charities and Correction.

The Eighth Annual Convention of the Federation was held at the Hotel Statler, Detroit, Mich., June 22, 23 and 24, 1916.

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### First Session, June 22, 1916, 10:00 a. m.

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The convention was called to order by the Chairman, Charles H. Brown, Jr., with representatives of the following societies present:

Collateral Loan Co., Boston, Mass.  
Worcester Collateral Loan Co., Worcester, Mass.  
Citizens' Mortgage Loan Co., Cincinnati, O.  
Provident Loan Society, Milwaukee, Wis.  
Newark Provident Loan Association, Newark, N. J.  
Workingman's Collateral Loan Co., Cleveland, O.  
Provident Loan Society, Detroit, Mich.  
Chattel Loan Co., Grand Rapids, Mich.  
Equitable Loan Association, Minneapolis, Minn.  
People's Provident Association, Louisville, Ky.  
Chattel Loan Society, New York, N. Y.  
Provident Loan Society, St. Paul, Minn.  
Utica Provident Association, Utica, N. Y.  
Provident Loan Association, Sioux City, Ia.  
Provident Loan Society, Rochester, N. Y.  
Remedial Loan Society, Buffalo, N. Y.  
Onondaga Provident Loan Association, Syracuse, N. Y.  
First State Industrial Wage Loan Society, Chicago, Ill.  
Remedial Loan Co., Philadelphia, Pa.  
Provident Collateral Loan Co., Dayton, O.

The convention was welcomed to Detroit by Mr. John E. Ryan, representing the Provident Loan Society of Detroit.

## REPORT OF THE CHAIRMAN

CHARLES H. BROWN, JR., Buffalo, N. Y.

The men who gathered in Buffalo in 1909 and founded this Federation have reason to be gratified when they consider the growth of the remedial loan idea since that time. Our membership is somewhat smaller now than a year ago, but in many ways this is an indication of strength rather than weakness. A satisfactory reason may be assigned for the loss of each society which has dropped out and although it cannot be denied that the situation has been clouded by the activities of certain groups who have attempted to exploit for profit the theory of the remedial loan society, yet this very attempt to commercialize our idea is the sincerest form of flattery and would seem a sure indication of the soundness of our proposition. The underlying cause of our comparatively small membership is the undeniable fact that the majority of investors prefer a larger return than we care to promise them, no matter how much they may talk about social service or philanthropy or what not.

The remedial loan idea is bigger than a mere question of the number of members that we may have in our Federation. We could swell our numbers greatly if we were willing to sacrifice some of the things we stand for. I, for one, would rather have the Federation stand firmly for the principles laid down in our constitution, even though its membership does not increase. We have an opportunity to demonstrate that we believe in our ideals, and that those ideals cannot be changed by a mere desire for a larger membership.

Practically all of our societies were organized for the purpose of eliminating as far as possible the activities of the notorious loan sharks. The Russell Sage Foundation and our Federation developed the idea that the most effective way to combat the loan shark is to meet him on his own ground and defeat him through competition. We have attained success in this undertaking and have demonstrated the fact that a rate of interest approximating two per cent. a month is essential to the legitimate conduct of the small loans business.

Immediately, a group of persons saw an opportunity to exploit the fight against the loan sharks for profit and they proceeded to undo much of the educational work which we had accomplished, by pretending to loan money at a much lower rate of interest than we believe to be possible. It is evident to us who have studied the problem that such a scheme could only be worked by employing a device to charge a greater rate of interest than appears on the surface. This scheme has met with some success and constitutes a serious menace to the extension of the work along the lines which we believe to be legitimate and proper. I feel confident, however, that in the end sincerity, frankness and right dealing will win out over all obstacles.

The past year has brought us face to face with many difficulties and some disappointments. The Federation has sustained serious shocks but I like to feel that a finer spirit has emerged out of these difficulties and that we stand on firmer ground than ever before.

Two members have dropped out of the Federation because of local conditions: the Provident Loan Society of St. Louis has been compelled to suspend business because of an adverse legal situation, and the Toronto Municipal Loan Association, which was organized to meet the emergency at the outbreak of the war, decided that it had fulfilled its function and went out of business. Then, as you know, the Economy Building and Loan Company of Cleveland decided upon a course of action which we felt to be inconsistent with our ideals, and handed in its resignation. I wish it to be a matter of record that your Chairman feels keenly the loss of Col. Pond from our membership. Kindly, patient, loyal and enthusiastic, he was a tower of strength, and it is a great regret to me that he saw fit to take a course which made his resignation from our body inevitable.

Finally, we shall be compelled soon to lose the Equitable Collateral Loan Company of Youngstown as it is in process of liquidation. I regret that there have been no admissions to membership to counterbalance these losses, although the newly organized society in Dayton will probably join in the near future. A detailed statement as to the prospects for new members will be made by Mr. Ham in his report. I hope that the round-table

discussion on "The Future of the Remedial Loan Movement" will add much to the crystallization of the program for the extension of our work.

The program for this convention has been prepared with care. An attempt has been made to provide for intimate, informal discussion of some of the problems which vitally affect us. I sincerely trust that you will all enter into these discussions fully and freely, for the value of the whole convention depends upon the enthusiasm which each member brings to the consideration of each topic. Let us all resolve that this convention shall be more than ever worth while, let us keep steadfast in the faith that is in us, and we may then hope that the future will make our position more secure than it has ever been before.

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#### REPORT OF THE SECRETARY-TREASURER

GEORGE E. UPSON, Utica, N. Y.

As the work of the past year will be reviewed by Mr. Ham, the Secretary is happily relieved of the duty of making an extended statement.

There are now 35 societies in the Federation, including the Equitable Collateral Loan Company which, Mr. Taylor informs us, is in process of liquidation. The Economy Building and Loan Company of Cleveland resigned from the Federation last fall and its resignation was accepted by vote of the Executive Committee ratified by the members. The associations in Baltimore, St. Louis and Toronto have discontinued business and have therefore been dropped from the roll.

A meeting of the Executive Committee was held in New York, October 8th, 1915, at which the resignation of the Economy Building and Loan Company was acted upon. At that meeting an amendment to the Constitution was adopted regarding annual dues which was subsequently ratified by a unanimous vote of the member societies.

Under the amendment societies having an average loan balance of less than \$50,000 are assessed \$10; those having a balance of from \$50,000 to \$100,000, \$15; those having a balance of from

\$100,000 to \$500,000, \$25; those having a balance of from \$500,000 to \$2,000,000, \$50; and those having a balance of more than \$2,000,000, \$100.

The Treasurer's report for year ending June 13, 1916, follows:

RECEIPTS	DISBURSEMENTS
Received from Treasurer,	
June, 1915 .....\$ 30.01	
Dues, 1915-1916 ..... 910.00	
	Printing programs for 1915 convention and expense bill from year 1914-1915. \$ 46.64
	Postage, printing and sta- tionery ..... 47.90
	Advertising ..... 20.00
	Services and expense of stenographer, Baltimore Convention ..... 42.40
	Copyright, Federation Bul- letin ..... 2.00
	Publications ..... 375.61
	Expense of Chairman and Secy.-Treas., meeting of Exec. Com., October 8, 1915 ..... 42.03
	Charities Directory Adver- tisement ..... 2.00
	Chairman, petty cash.... 5.00
	Multigraphing ..... 12.50
	Expense of Secy.-Treas., conference in New York, April, 1916 ..... 20.97
	Rebates to 23 societies as result of change in plan of assessing annual dues 315.00
	Miscellaneous, stenograph- er's services, express, tel- ephone, etc. .... 4.44
	Balance, June 13, 1916.... 3.52
<hr/> \$940.01	<hr/> \$940.01

## BILLS PAYABLE

Buffalo Com. Printing House, 1916 Programs ..... \$10.00  
Chas. H. Brown, Jr., Chairman, Expense, N. Y. Conference, April  
1916 ..... 27.75

Audited and approved, \$37.75  
J. H. RUBIN  
D. S. COFFEY

The chairman presented the application of the Provident Collateral Loan Company of Dayton, Ohio for membership in the National Federation. By a unanimous vote the application was accepted.

## THE YEAR'S PROGRESS

A. H. HAM, New York, N. Y.

## LEGISLATION

This has been an off legislative year, that is, only twelve legislatures held regular sessions. Bills designed to improve small loan conditions were introduced in Massachusetts, Alabama, Maryland and the District of Columbia. The Alabama bill failed through the Governor's veto. The Maryland bill passed the House but failed in the Senate by a narrow margin. The fate of the District of Columbia bills—one of which regulates the interest charge by loan agencies in the District of Columbia and the other forbids the use of the mails by lenders carrying on an interstate loan business at rates forbidden by the laws of one of the states affected—is still in doubt. Two good laws were passed in Massachusetts. The first fixes a definite maximum charge inclusive of interest and fees, of three per cent. per month, within which maximum the Supervisor of Loan Agencies may determine the rate. The second law broadens the scope of the assignment of wage law by requiring the consent of the wife to every assignment of wages without regard to its amount or the purpose for which it was given.

All these bills encountered the strenuous opposition of the money-lending fraternity and their representatives. The success of the Massachusetts bills was due to the support of a large number of social and civic organizations and employers of labor and the splendid efforts of Mr. George A. Flynn, Assistant Corporation Counsel and Mr. R. H. Smith, Attorney for the Boston Legal Aid Society. That the Governor of Alabama should have vetoed the bill in that state after it had passed the legislature as the result of the efforts of Representative Shapiro is a source of disappointment.

A bill has been drafted for California and plans have already been made for its introduction in the legislature next year. Legislation will also be sought in 1917 in Maine and several other states.

I would like to renew my request, expressed on several previous occasions, that the managers make a point of communicating with me whenever they learn of the introduction in their state legislatures of bills affecting the small loan business.

In test cases courts have upheld the constitutionality of laws enacted last year in Nebraska, Ohio, Oregon and Texas. Test cases involving the validity of the laws of New Jersey and Pennsylvania have not yet been decided.

Active campaigns by prosecuting officials to put a stop to loan shark extortion and apprehend and convict violators of small loan laws have been carried on during the year in a number of cities. Among them are New York, Boston, Philadelphia, Chicago, Newark and Cleveland. In many cities the cooperation of the free legal aid societies has proved of great assistance.

#### MEMBERSHIP

The membership of the National Federation now stands at 36, including the Dayton society admitted this morning. This is the only remedial loan society actually organized this year. A society in Omaha is expected to begin business the first of July and organization will doubtless be effected in two or three other cities before the close of the year. If organization seems slow and we are inclined to be disappointed with the number of new members added each year we must remember that neither the Federation nor the Russell Sage Foundation maintains any organization or installation staff and the interest of communities in this subject can be aroused, followed up and brought to the point of organization at present only through correspondence, which is at best a slow and unsatisfactory method.

During the year the Federation has lost four members, one through resignation and three through liquidation. Of the latter, one is due to an unfavorable legal situation of long standing, another to serious defalcation on the part of a trusted employe, and the third is due to improvement in conditions of unemployment, to remedy which the society came into existence.

During the year the funds employed by the members of the Federation amounted to \$16,391,996; 868,607 loans were

made amounting to \$28,592,513. The total loss incurred through uncollected chattel loans and loss on auction sale of pledges amounted to \$24,648 or less than  $\frac{1}{10}$  of 1% of the total amount loaned. Capital increases on the part of the member societies amounted to about \$450,000.

Following is a statement of the operations of the members of the Federation during 1915-1916 as compared with the preceding year:

	1915-1916	1914-1915	Increase
Number of loans made.....	868,607	849,387	19,220
Funds employed .....	\$16,391,996	\$16,498,365	*\$106,369
Average loan balance.....	14,948,587	14,259,347	689,240
Amount loaned .....	28,592,513	28,144,841	447,672
Amount repaid .....	28,144,890	25,599,720	2,545,170
Average amount of loans, pledge chattels	31 60	29 62	2 *2
Net earnings .....	1,265,242	1,118,284	146,958
Expenses .....	752,394	706,246	46,148
Losses .....	24,648	22,290	2,358

\*Decrease

Five of the 36 societies make loans solely on pledges; 15 loan solely on chattels; 14 maintain both pledge and chattels departments; five loan on endorsed notes together with other security; four accept assignments of wages and two include real estate mortgages in the securities accepted. Remedial loan societies are now operating in 31 cities and 19 states.

The Utica society reports an interesting result of its advertising campaign in March, 1916. It announced that the society loaned on chattels at 2% per month and would in the future loan on endorsed notes at 1%. Through this advertising the business of the society doubled but only one-eighth of the total amount loaned was on endorsed notes. Most of the borrowers who were attracted by the new advertising told the manager that they would rather pay 2% per month and stand on their own responsibility than ask their friends to endorse for them. This seems to show that the demand for endorsed note loans as compared with chattel loans is not as great as some people would have us believe. It also suggests the importance for the remedial loan societies of occasional display advertising.

Pledge departments have been added by the societies in Minneapolis, St. Paul, Rochester and Indianapolis. Other societies are considering the same step. The Kansas City society has added a wage assignment department. The Provident Loan Society of New York has opened one new branch office making a total of 11 offices. The Chattel Loan Society of New York has added a branch office for receiving applications and has increased its general office quarters. Larger quarters have also been taken by the Wage Loan Society of Chicago, the Kansas City society and the San Francisco society. The latter will build a new building for its own occupancy. This society which was formed only three years ago now has \$393,390 outstanding in pledge loans and \$28,475 in chattels.

The Minneapolis society has voted to increase the dividend limitation to 7% with a proviso that the surplus shall not exceed 20% of the capital and that in the event of dissolution the surplus shall be distributed among charitable institutions.

#### ANNUAL REPORTS

At the last convention a tentative form of annual report submitted by a committee previously appointed was adopted with the understanding that it should be submitted to each society for comment. A committee consisting of Mr. Davis, Mr. Upson and myself was appointed to obtain the individual opinions of the members and prepare a model form of report to be submitted to the members of the Federation in time for the preparation of the next annual reports.

Only four replies were received to the letter enclosing the preliminary draft. One of these approved the report as it read. The second approved it generally but suggested a minor change. The third and fourth objected to publication of so full a report on the ground that it gave unnecessary information to the public and entailed too much labor in preparation. It was apparent that the writers of the third and fourth letters confused the report of the Committee on the Annual Report with the statistical folder published each year by the Federation.

The Committee held several meetings and finally prepared and submitted to all the members of the Federation early in Jan-

uary of this year a form of report intended, first, to inform the directors of the exact condition of the society in order that they may move to check any unfavorable tendencies; second, to acquaint present and prospective stockholders with the facts regarding the society's development, and third, to provide exact information for persons interested in forming remedial loan societies in other cities. In substance the Committee recommended that each society's annual report should contain: (a), a consolidated balance sheet for the current year; (b), a comparative income or profit and loss account for current and previous years; (c), a condensed cash account for the current year; (d), a comparative statement of operations during the years the society has been in operation containing substantially the same information now published in the statistical folder of the Federation; (e), a statement of the number of loans made during the current year according to amounts.

Suggested forms for these statements were also sent to each society with a request to receive a copy of the society's published report. This final draft of the Committee Report elicited six replies. All six approved the form of the report, one writer stating his inability to supply the statistical data suggested on account of lack of time, another suggesting that the item of taxes be included in the account of disbursements. During the year 23 annual reports have been received—21 printed and two typewritten. Ten of the printed reports follow the Committee's suggestions substantially, many of them showing marked improvement over former years. The other 11 reports ignored the Committee's recommendations. In two of these cases supplementary typewritten reports in the form suggested by the Committee were submitted.

One item pretty generally omitted from these reports is the average loan balance. This item, rather than amount loaned, number of loans made or capital employed, gives a picture of what each society has done during the year and furnishes a basis of comparison between societies both as to extent of operations and the ratio of net earnings, expenses, losses, etc., which is of the utmost value.

I urgently request that each society publish an annual report beginning with the present year, that each manager make an attempt to follow in his published report the Committee's recommendations, and that I be put on the mailing list to receive a copy of each report. A report which contains only an account of receipts and disbursements during the year or a mere statement of assets and liabilities is of little value and hardly justifies the expense of printing. The Committee's recommendations look to the uniform presentation of all necessary information and if the members will follow them there will be an advantage not only to the stockholders, directors and interested public but also to the managers themselves.

#### THE MORRIS PLAN

The so-called Morris plan continues to make progress. Since the last convention of this Federation 24 companies have been organized under the plan according to the official Bulletin, making a total of 47 companies organized and 39 in actual operation—about the same number as are members of this Federation. As the subject is to come up for general discussion at a later meeting of this convention I shall not refer to it further at this time.

#### ASSOCIATIONS OF SMALL LOAN BROKERS

Another interesting development during the year has been the organization in Ohio, Indiana, Maryland, Pennsylvania and New Jersey of state associations of licensed money lenders. These associations are made up in part of individuals and companies that are professedly reformed loan sharks; other members are reputable loaning companies which, on account of the fact that their chief purpose is profit, are not eligible for membership in this Federation. Their avowed purpose is mutual protection and the raising of standards in the money-lending business. They have already instigated the arrest of several unlicensed lenders and assisted officials in upholding the constitutionality of state laws. The state associations have recently formed themselves into the American Association of Small Loan Brokers. The development marks an important step in the elevation of the loan business to the plane of banking and is a logical outcome of laws

recently enacted which permit liberal interest rates to companies which will submit to state license and supervision.

### CREDIT UNIONS

Interest throughout the country in the subject of credit unions or cooperative banking is constantly increasing. Eight states have now enacted laws permitting credit unions to form. There are in operation some 60 credit unions in Massachusetts, 25 in New York, six in North Carolina and several others scattered throughout a number of states. With the exception of the North Carolina credit unions, which have been formed among farmers, and those formed among Jewish farmers in New York, practically all have been formed in cities by employes of industrial and commercial organizations. One credit union has been formed in New York among the employes of the United States Treasury Department. Others are forming among the employes of the Public Service Commission and the civil service employes in the departments of the City of New York. This development among the city, state and federal employes, who constitute so large a proportion of the borrowing public, offers an important object lesson and a strong beginning in a method of competing with the loan shark which, in cooperation with the remedial loan societies, seems destined in time to bring about, so far as is possible, the solution of the problem for which we are all working.

THE CHAIRMAN:—In connection with the publication of annual reports, we must not lose sight of the fact that the constitution of the Federation contains the following: “The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration and general information necessary for organization and management.” It is of great help to any group of people, who are contemplating the formation of a remedial loan society, to have before them a set of the annual reports of the societies that are engaged in this work. For that reason, if for no other, the publication of annual reports is well worth while.

MR. HAM:—The statistical folder which the Federation publishes annually is not intended to be of much interest or help to the managers but is for outside distribution largely. It gives a summary of what each society has done. What the managers and directors are interested in is a fuller and more complete account of what each society has done than the statistical folder attempts to give.

After some discussion the following resolution was adopted:

Resolved, That each member society of the National Federation prepare at the end of each fiscal year, in printed or type-written form, an annual report in line with the recommendations of the Committee on the Annual Report\* previously submitted to each member and that a copy be sent to each member of the Federation or a supply be sent to the Secretary of the Federation for forwarding by him to each member.

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Second Session, June 22, 1916, 2:00 p. m.

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## CONDITIONS IN OHIO UNDER THE LAW OF 1915\*

ARTHUR D. BALDWIN, Cleveland, Ohio

The person best qualified to write on this subject is Mr. Wilbur E. King, who has been appointed by the Superintendent of Banks as Inspector of Loan Companies throughout the state. It happens that Mr. King is now recovering from an accident and it has not been possible to obtain his views. The writer does not feel altogether competent to cover this subject but promised those in charge of the program of this convention that he would do the best he could with the information at hand.

The present act, known as the Lloyd bill, replaced what was known as the Haas bill, which was passed in 1911. The Haas bill provided that persons, firms and corporations mak-

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\*See Appendix II.

\*In the absence of Mr. Baldwin his paper was read by the Secretary.

ing loans upon chattels or personal property of any kind or salaries must obtain a license and give bond for \$2,000. It provided that in all salary assignments the name of the borrower's employer should be stated. It provided an interest rate of 8% per annum upon the principal sum loaned and in addition a reasonable sum, "not to exceed 10% upon the principal sum," to cover charges. Loans made upon contracts providing for greater charges were made absolutely void. Violation of the provisions of the act was made a misdemeanor punishable by fine and, in case of second offense, by revocation of license as well.

The Haas bill was generally admitted to be unsatisfactory. It was evaded by the ordinary loan sharks who made loans without security of any kind and thus escaped the criminal provisions of the law. A moderate number of companies operated within the law but a great many did not. Those that did not generally, in the case of chattel mortgage loans, charged the old familiar rates under which a \$50 loan was paid back in twelve annual installments of approximately \$7 each, which, all will agree, is a shocking rate of interest. A number of those companies which did operate under license and within the letter, although not within the spirit of the law, made their loans for such short periods that the 10% expense fee became an exorbitant charge. Of course, a law which allowed a 10% expense fee for a loan made to run one month or two weeks and provided the same maximum for a year was silly. There was a provision that the expense fee should be reasonable and no doubt, in case of a contest in court, a charge of 10% for one month would have been held invalid except on small loans, but as is well known, very few cases were taken to court on this point.

To meet this unsatisfactory situation the Lloyd bill was passed in the summer of 1915. This law provides that individuals, firms or corporations making loans upon notes, or upon mortgage or pledge of chattels or salaries, or furnishing guaranty or security in connection with loans or purchases are forbidden to charge a rate in excess of 8% per annum, without first having obtained a license from the Superintendent of Banks. The

license runs for a year and the fee is \$100. The Superintendent of Banks may revoke any license if the licensee violates any of the provisions of this act. Every licensee must give a bond for \$2,000 conditioned upon his faithful observance of the provisions of the act, which bond is for the benefit of persons injured by violations of the act. The provision regarding interest charges is as follows:

No such licensee or licensees shall make a loan or purchase or furnish guaranty, or security, as hereinbefore provided at a greater total charge, including interest, than three per cent. per month; except that on loans that do not exceed fifty dollars in amount, in whatever manner made payable, an inspection fee of not to exceed one dollar may be collected at the time the loan is made, when such loan is made for a period of not less than four months; and such inspection fee shall not be imposed upon the same borrower for any new or additional loan made within four months after such charge has been imposed. Said three per cent. per month shall not be paid in advance and shall be computed on unpaid monthly balances, without compounding interest or charges. No bonus, fees, expenses, or demands of any nature whatsoever, other than said inspection fee and said total charge of three per cent. per month (which shall include interest) as hereinbefore provided, shall be made, paid, or received, directly or indirectly, for such loans, purchases or furnishing guaranty or security, wage assignments or advancements except court costs upon the actual foreclosure of the security or upon the entry of judgment.

Pawnbrokers who obtain a municipal license are excepted from the provisions of the act. Salary assignments shall be signed by the wife and husband and all blank spaces shall be filled in. Salary assignments shall bind the wages of the borrower until the loan secured by such assignment is fully paid but no assignment of wages to be earned in the future shall be binding for a sum in excess of 50% of the amount due. Salary assignments shall be recorded in the same manner as chattel mortgages in order to be valid against purchasers without notice. Violation of the act is made punishable by imprisonment or fine and upon second conviction the license shall be revoked. It is made

the duty of the Superintendent of Banks to enforce the provisions of the act and he is required to employ such assistant or assistants as may be necessary.

The Lloyd law, it will readily be seen, remedies the principal defects of the Haas law. An adequate rate is provided and the same rate is made for a short as for a long time loan. The provisions of the act cannot be evaded by making loans on notes without security. However, the important question is, how has the law worked?

Upon this question the writer has made such inquiries as he has been able. Unfortunately it has not been possible for him, as stated above, to get the views of Inspector King, who has been very active in the enforcement of the act. He can speak with some authority of the city of Cleveland, however, where certain definite results have been achieved by the Lloyd law.

In Cleveland all the straight salary loan people, except one or two, have quit the business. The chattel mortgage people are operating within the law. The pawnbrokers, after having been arrested and fined \$50 apiece, have either quit the business or have agreed to take out a license and operate within the law.

In Cincinnati, the writer is informed that there are about nine concerns doing business under the law; five under the chattel loan clause and four under the salary assignment clause. A salary loan broker attempting to do business on plain notes without a license has been arrested, but the result of the arrest has not yet been learned. In Cincinnati, of course, the Citizens' Mortgage Loan Company, one of our highly esteemed members, holds the principal place in the field. Mr. Cavanaugh writes that the situation regarding pawnbrokers is not affected in Cincinnati for by taking out municipal license they have placed themselves outside the provisions of the law.

So far as the writer can learn, although the information is rather meager, the situation generally throughout the state is that the Lloyd law is being enforced and there is little violation. This fact will, of course, appeal to persons having knowledge of the loan business as formerly conducted in Ohio and in most of the states of the union, as a great triumph. It is

an immense service to the borrower to be able to make a loan at 3% per month or less from a company which is under inspection by the state government as compared with going to an outlaw and making a loan at incredible rates of interest, as he formerly was obliged to do throughout the state of Ohio.

Under all former legislation it had been proved that it was idle to depend for enforcement of the usury law upon spasmodic outbreaks of popular fury against usurers whether instigated by the press or by prosecuting officials. In the long intervals between such outbreaks the law was not enforced. The condition of the borrower was fully as bad, or worse, than it would have been had there been no usury law at all, except when he was able to borrow from such companies as the Citizens' Mortgage Loan Company and the Workingman's Collateral Loan Co.

The Lloyd law, however, seems to have changed all this and now for the first time in the history of Ohio usury laws are being enforced. The credit for this is due, insofar as the law is concerned, to the provisions for state inspection with power to cancel licenses and for an adequate rate of interest.

So far as loans on chattel mortgages are concerned the writer believes there is no need to change the Lloyd law. State inspection and the three per cent. a month rate seem both to have succeeded admirably.

When the writer's company, The Workingman's Collateral Loan Company of Cleveland, makes a loan of \$100 secured by chattel mortgage, it obtains from the borrower a note payable as to principal and interest in eleven monthly instalments of \$9.34 and a twelfth of \$9.26. The total charge is thus \$12.00, which is not 12% per annum, as some would have us believe, but about 24%, inasmuch as the borrower has had the use of the principal for only half of the time. We have a capital stock of a little less than \$80,000. We have an annual expense of a little more than \$11,000. We have charged to loss during the last two years about \$500 annually, but to be conservative one should figure on annual losses of \$1,000. We think we should set aside to surplus about \$1,000 annually. We pay annual dividends of 6%. To meet the expense, loss, accumulation for surplus and

dividends, therefore, it is necessary that we earn \$17,800, which means that our capital must be employed at an average rate of 22% per annum. Some of the capital, however, is idle a part of the time. It will thus be seen that in the case of our company, 24% per annum or 2% a month is a safe charge to make. Our company, however, has a larger business than many others and a smaller percentage of loss. Three per cent. per month would seem to be a fair charge to allow for the business in general, since, for the sake of the borrower if for no other reason, the loan companies must be permitted to make such charges as will encourage them to do business within the law. This result seems to have been accomplished under the Lloyd law in Ohio in the case of chattel mortgage loans.

In the matter of pawn loans, the result has not been so satisfactory. In the first place, through the efforts of a very active lobby, the pawnbrokers managed to have themselves excluded from the bill in cities where they may take out a municipal license. The writer is not aware how generally the cities in Ohio have passed ordinances providing for the licensing of pawnbrokers. No such ordinance is in force in Cleveland, however, and in that city there should be a demonstration soon of how a 3% per month law will work.

The writer's company, The Workingman's Collateral Loan Company, does a pawn business at  $1\frac{1}{2}\%$  a month. The security which it accepts is precious stones, jewelry and watches. At first it accepted a great many watches with the result that it suffered some losses in its pawn department—for watches are difficult to dispose of. A company operating along these lines can easily do a sufficiently profitable business at a maximum rate, say, of 2% per month.

The demand for pawn loans, however, covers a much larger field than diamonds and jewels. Some pawn shops, as everyone knows, take a miscellaneous assortment of articles—watches, silverware, bric-a-brac or clothing. The writer has not sufficient experience to justify an opinion as to whether 3% will provide a profit for that kind of business. It is likely that persons in this audience are sufficiently informed to have opinions about this and probably the matter has been proved out under the laws

of other states than Ohio. If so, it would be interesting to hear from those of our members who are qualified to express an opinion. On the face of things it would seem that 3% a month is an ample rate for a general pawn business.

Regarding salary loans, the writer is not very well qualified to speak. His company does a small business in salary loans with carefully selected risks and loses very little money on this class of business. The ordinary salary loan office, however, has a precarious kind of security. It is gone when the man quits his job. The fact that the salary loan companies generally have quit business under the act indicates that the rate is too low.

Those provisions of the Lloyd law which are designed to make a salary loan valid in the case of future employments are, in the writer's opinion, desirable. As is generally known, the courts, where there is no statute, sustain only assignments on existing employments. The Lloyd law does a service to the borrower on salary by making his assignment worth something as security and therefore enables him to make a better bargain. It would seem to be a mistaken philanthropy which passes laws making loans uncollectable since it takes from the borrower what security he has to offer.

There may be a question as to whether salary loans should be permitted at all. If they are permitted, the Lloyd law is good in making the assignment valid on any employment until the money is paid and also in providing that only 50% of the amount due can be collected at any time. Whether or not the maximum rate of interest will prove to be sufficiently high to keep alive a legal salary loan industry in Ohio remains to be established. The writer is inclined to think it will not.

To conclude, the Lloyd law, in providing state inspection and a rate of interest, including all charges, of 3% per month upon unpaid balances seems, in the case of chattel mortgage loans, to have accomplished a great benefit both for lender and borrower. In the case of pawn and salary loans the results have not been definitely worked out. It is unfortunate that some classes of pawnbrokers were able to get themselves excluded from the provisions of the law.

MR. HILL:—Our experience shows that salary loans can be made at 3% per month. The Wage Loan Society of Chicago started in November, 1913. Chicago has a population of 2,500,000. Operating expenses are high—about \$1,500 a month. We have loaned \$330,000 in two years and nine months and now have a surplus of \$3,000. From now on we will pay a dividend of 6% annually and within two years will reduce the charge to 2 or 2½% per month. We often loan without endorsements but in nearly every case we require the wife's signature. We always require a salary assignment from the principal and generally from the endorsers.

Further discussion indicated a general belief that the rate allowed on salary loans under the Ohio law of 1915 is adequate.

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## ADVERTISING

### GOOD AND BAD MEDIUMS; CIRCULARS, FORMS AND METHODS OF DISTRIBUTION; NEWSPAPER PUBLICITY

GEORGE E. UPSON, Utica, N. Y.

The logical starting point for a discussion of this subject is, it seems to me, the general proposition that the more one advertises, the more business he will get. We may hear of individual instances where experience has seemed to contradict this statement to some extent, but, in general, the rule holds true. The managers of several associations in the Federation have built up a successful business on little advertising beyond what is known in newspaper parlance as the "short ad.," or an ad. set in small type, marked by no display lines and occupying, perhaps, not more than an inch of space.

This does not, however, disprove the well seasoned axiom "It pays to advertise." A business may have been developed to an extent entirely satisfactory to the manager and directors by the use of little or no advertising, yet this does not warrant our saying that the usefulness of the association might not have been further enlarged and the loans materially increased had more publicity been given it.

In advertising, as in other things, there is a happy medium. The point beyond which it is not expedient to go can generally be determined by the ratio which the increased business bears to the increased cost. With us, who have a social purpose in our work, there is the further consideration of how far we can go along this line without encouraging unnecessary borrowing. It is my contention that an association which makes loans without carefully discriminating between the applicant who actually needs a loan and will make good use of it and one who does not need it may work a serious harm in the community. In making this statement I have in mind chiefly loans made on chattel mortgages or endorsed notes. Such discrimination cannot be made with loans on pledges left in our keeping. The trouble is that competition and other influences are at work in many places which make it difficult for us to maintain the standard.

You have no doubt heard it said that some special or additional advertising which has been carried on has been productive of no immediate results or new business which could be directly traced to it. This may seem true on first consideration but it should be remembered that if we have placed our association more prominently before the general public—borrowers and non-borrowers,—have made people more familiar with our name and address and have impressed upon them the nature of our business and what we are striving to accomplish, we have done the very best kind of advertising. If the merchants, manufacturers, real estate dealers and professional men of the community know us as we should make sure that they do know us, they will acquire the habit of sending prospective borrowers to us and the habit, once formed, will probably be followed, month in and month out, without further effort on our part except that of taking proper care of such business as comes to us in that way.

Since the first of the year we, in Utica, have been making an effort along this line by the use of circular letters, folders and increased space in the papers. I have been surprised at the number of applicants who have been sent to us by men in all walks of life since we entered upon this campaign. By impressing upon the minds of the people that we are in the small loans business at 107 Paul Building, that we are a remedial loan as-

sociation organized and maintained by reputable Uticans for the accommodation of borrowers, and that we are affiliated with this Federation, we have, we believe, accomplished something of permanent value.

In considering the mediums to be employed I think we can apply another general statement. The newspaper in the local field and the magazine in the wider field stand pre-eminent. The newspaper contains reading matter of interest to every member of the family old enough to read. It is something for which the subscriber has paid and which he values accordingly. It goes directly into the home where it is read at the breakfast table or under the evening lamp. It does not have to be read as hurriedly as does a sign board which one is passing, but can be perused in a more or less leisurely manner and its important points noted. Finally, it is the medium to which one naturally turns for such information as he may be seeking in a business way. We may enthuse over the results we have had from a distribution of circulars or from some other means, but if we were called upon to discard all mediums but one we would, I am confident, cling to the newspaper and relinquish the others.

I shall not consume the time of the convention with a consideration of other mediums—circulars, theatre programs, pay envelopes, posters, signs, calenders, letters, and personal calls on business men, but leave the subject open for discussion. There is something, no doubt, to be said in favor of each. The theatre program, for instance, is quite thoroughly reviewed by many play-goers between the acts. I have always had some doubt, however, as to how lasting an impression the reader receives when his mind has but dropped the thread of the story that is being unfolded upon the stage and will take it up again in a moment when the curtain rises upon the next act.

I am a believer in street car advertising for such concerns as can afford it. The cost of a card in practically every car in operation in Utica, a city of from 85,000 to 90,000 inhabitants, is \$40 a month. This form of advertising is effective, in my judgment, for several reasons:

First, as the concern which controls the car advertising in Utica puts it, "Everybody rides; everybody reads."

Second, the average passenger in a car has little to do but sit as patiently as possible and wait for his journey's end, and during this period attractive advertising cards naturally interest him.

Third, many of the passengers are on their way home and carry with them for consideration and discussion there, the substance of the ad. which they have seen—if it is something in which they are at all interested.

After all has been said, however, the fact remains that this is a somewhat expensive form of advertising. As to many of the other mediums known to us all there is, no doubt, merit in each although some are hardly effective enough to justify the expense entailed in their use. Mr. Glidden of Minneapolis finds that 48% of his business comes from newspaper advertising; 32% from recommendations by the general public; 14% from recommendations by borrowers, and 6% from miscellaneous causes.

The exhibit, which I have been able to arrange with the co-operation of the managers, shows some of the matter used by the societies in the Federation and will repay inspection. Few of the societies, you will observe, show any newspaper ads. distinguished by heavy display lines. Mr. Tucker uses a headline which all of us, no doubt would gladly use, "One per cent. a month." I take it that this low rate is one of the notable advantages which the borrower secures in dealing with the New York Provident Loan Society and it is given the prominence which it deserves. In common with several others in the Federation, the Buffalo society runs only a short ad. The Louisville, St. Paul and other societies display somewhat more conspicuous matter; the Cincinnati society, while we assume that it does not traffic with the yellow journals, apparently has no aversion to the pink ones; the Milwaukee society has never done any advertising of any kind, and the Portland, Me. society avoids the newspapers in the fear that an undesirable class of borrowers would be attracted by advertising in them. And so we have a diversity of ideas.

I believe we agree generally, however, that in advertising loans we should adhere to a style somewhat different from that made use of by the ingenious exploiters of Wrigley's chewing gum and Morgan's famous Sapolio. We undoubtedly remember

that children cry for Fletcher's Castoria, that Ivory Soap floats, while Pears' is matchless for the complexion, and that, in the spring, we should take Hood's Sarsaparilla, because of the manner in which these elementary truths have been repeatedly hammered into our consciousness. This does not necessarily imply, however, that we should adopt such a style in advertising small loans.

While I recognize the demand on the part of the public for terse, pointed, witty ads. from which entertainment, perhaps, as well as information may be derived, the ad. of a remedial loan society should be strong and dignified. A principle to which allusion has already been made is here involved. We should advertise, not to encourage unnecessary borrowing, but to plainly inform all who really need such accommodation as we can give where they should go and why they should go there.

The ad. should, in the first place, quickly attract the attention of the reader. It should, in the second place, inform him briefly and, in most cases, in the fewest possible words, of the advantages to him of obtaining a loan from us if a loan be imperative. It should, in the third place, tell him plainly where and when to find us.

Two general ideas are followed in ad. writing. One sets forth boldly and simply the business to which attention is called; the other seeks to attract notice by a striking phrase, relevant or irrelevant. Each style has its advantages though, to my mind, the direct method is the more effective and more suitable to the business in which we are engaged.

There is undoubtedly some advantage in changing an ad. at not too infrequent intervals. The eye and the mind may become so accustomed to a certain form, if it is used for too long a period, that they will pass over it unconsciously without receiving any real impression from it. A change in the type, shape and wording serves to attract the attention of the reader who may have become too familiar with the ad. you have been running.

Due attention should be given to the style of type and the general form of the ad. In writing ads. for the Utica association I indicate the type for every line. By studying other ads. in the same paper one can easily select such type as will make well balanced, artistic and effective copy.

One further suggestion and I will close. Whenever you have an item of news concerning your association make it an excuse for a bit of free advertising in your local papers. For example, when you return home from the convention, mention the fact that you have been here representing the society of which you are manager and follow this up with a few lines on the aims, ideals and accomplishments of the Federation and its members. I believe that this is one of the very best forms of advertising for the reason that from its publication as news in the news columns of the paper it derives a certain character, distinction and standing which it would not have in the regular advertising space.

To sum up briefly what has been suggested in this paper, I would say:

The more you advertise the faster your business will increase. Endeavor to strike a rational, reasonable, happy medium. Acquaint not merely the small borrowers but the entire community with your business. Use the newspaper first and supplement your advertising there with whatever other means you may determine upon. Write ads. that will attract the eye and hold the attention until the facts you wish to drive home have been impressed upon the mind of the reader. Change the form of the ad. now and then that it may gain a fresh hold. Lose no opportunity of getting a few lines of good advertising gratis by publishing such items about your association as may be available from time to time.

MR. WHITMER:—It pays to keep an advertisement, large or small, continually in a newspaper. It should be in the classified columns as near the top as possible.

MR. DAVIS:—Our advertisement is very small and sets forth only the amount of interest charge—1% per month—and the names of the present officers of the association. It appears every other day and costs \$22 a month. We have an additional advertisement in the Newark Sunday Call. Prior to increasing our capital last August we had not advertised for a year. The evening paper is the best medium.

MR. PHILLIPS:—We have an advertisement every day in the classified column in the morning paper which in Rochester is a better medium for us than the evening paper. The shortest advertisement is at the top. We run a short advertisement five days in the week and on Sunday a long one at the bottom of the column. We tried a series of large ads. but got no direct results from them. The Sunday advertisement reads, "This society is organized for the purpose of loaning to deserving people at reasonable and legal rates of interest. Do not borrow unless absolutely necessary. If necessary call at our office and talk it over."

THE CHAIRMAN:—We have six newspapers in Buffalo—four evening and two morning. We tried a large scheme of advertising in all the papers and found that one paper which charges the highest rates brings the best results. Our net advertising cost in that paper is 86c per \$100 loaned. We now advertise only in the money-to-loan column of that paper. No display advertising is permitted. We change the text of our advertisement frequently. Sixty per cent. of our loans come through newspaper advertising. We have done no circular advertising; street car advertising is out of the question—the lowest rate is \$110 a month for one card in every fourth car.

MR. UPSON:—When our association began its recent advertising campaign we wanted to discourage unnecessary borrowing. During the three months our display advertisements were running our business increased 72% over the preceding three months. I do not think the amount of unnecessary borrowing has increased. The field has been widened. We now make loans 30 or 40 miles outside the city.

MR. HILL:—We spend in advertising from \$150 to \$400 a month. Sixty per cent. of our business comes through friends, banks and leading business houses which send us business. The other 40% comes from advertising. Our advertisement is changed every ten days. The important thing to state in an advertisement is the actual cost of the loan to the borrower. All the Chicago papers, with one exception, have now agreed not to print the advertisements of any money lenders who charge more than 3% per month.

MR. BURNHAM:—No general principle can be applied. One must experiment in order to find the best medium.

MR. PELLENZ:—I have tried three daily papers in Syracuse and I find the evening paper the best.

As to the relative merits of morning and evening papers, twelve managers considered the evening paper better and four the morning paper.

MR. CAVANAUGH:—We advertise the names of the directors. This has always proved effective. We also print the actual cost on certain typical loans and state that our rates are lower than those of any other company in the city. We used to think display advertising was better than the classified advertisement. To-day there is a total of only seven inches of loan advertisements in the Cincinnati newspapers. The morning paper is not read by the working people. The evening paper has proved itself the better.

MR. RYAN:—Our advertising has never brought us much business. Our loans come largely through old customers, business men and lawyers.

MR. RUTHERFORD:—I have tried all forms of advertising and have come to the conclusion that the classified advertisement is the most effective. I have found that street car advertising is expensive and yields no lasting results. In a street car advertisement you have not space enough to explain the difference between your methods and those of the loan shark company. In newspaper advertisements I always use the names of some of our prominent stockholders as a guarantee of good faith. I have also tried advertising on motion picture screens. It did not bring results. Advertisements in theater programs did not bring results. I think well of card distribution, but I believe a good classified advertisement in a newspaper is the best method. Display advertising does not pay, nor advertising in classified business directories.

MR. CONE:—You cannot measure results in advertising by immediate returns. The card or circular is more lasting than the newspaper advertisement.

MR. STROUP:—That is my opinion. Circulars can be distributed inexpensively and are laid aside for reference at some future time. The card enables you to tell the whole story of your society's work at little expense. Half our new customers come from old customers or friends of the company and half from newspaper and card advertising.

MR. UPSON:—We twice made use of circulars but got few direct returns.

MR. SOUDER:—We have found the distribution of circulars by mail more satisfactory than newspaper advertising. If the recipient does not care for it himself he may turn it over to someone else.

MR. LOH:—The Chattel Loan Society of New York is now distributing circulars by means of its own inspectors who take about 150 circulars with them each morning. When they enter an apartment house they copy the names from the letter box to the envelops and drop them in. The circular emphasizes the confidential aspect of our business and the fact that we do not require endorsers. We found theater programs and display advertising to be ineffective. Framed cards advertising our society placed in the offices of the Provident Loan Society of New York bring us the best results of all.

MR. HILL:—In a city like Chicago or New York it would be almost impossible to cover the whole city by circulars and get results. There is too great a chance of the circular being thrown away and too large a space to cover. Our society will soon open three branch offices and we shall advertise these by distributing circulars in the territory which each branch will cover.

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Third Session, June 23, 1916, 10:00 a. m.

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#### THE MORRIS PLAN

Discussion of the so-called Morris Plan of Loans and Investments was opened by Mr. Ham. Among the points brought out by the discussion were the following:

The making of small loans is a free field into which the remedial loan societies welcome all legitimate concerns operated upon a fair basis. No business jealousy or fear of competition leads the remedial loan societies to discourage the organization of companies under any proper plan. They do, however, deprecate the practice of the Morris plan promoters of terming the plan a means of eliminating the loan shark and a method by which workingmen may obtain loans at the same terms upon which business men borrow,—in view of the fact that the plan contemplates mainly the making of loans larger in amount than small borrowers demand, requires each borrower to furnish two satisfactory co-makers and involves a cost approximating 20% per annum. The remedial loan society seeks to discourage unnecessary loans, no matter how well secured, states its charge on loans frankly, definitely limits its returns to investors and utilizes its surplus earnings as a means of reducing the charge upon loans. The Morris plan leads the borrower to believe he is borrowing at a cost of 6% per annum. It appeals to the speculative investing public by the promise of high dividends. It is a purely profit-seeking scheme operating mainly in a field far removed from the loan shark's activities. To legalize its special methods it seeks legislation not conducive to progress in the remedial loan movement. By allowing the public to get a mistaken idea of its real purpose and character it has become a confusing element in the campaign against the loan shark.

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Fourth Session, June 23, 1916, 2:00 p. m.

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#### RECORDING OF MORTGAGES

WISDOM OF DISCONTINUING RECORDING ON LOANS UP TO A  
CERTAIN SIZE; EXPERIENCES AS REGARDS LOSSES  
THROUGH NOT RECORDING

F. E. STROUPE, Grand Rapids, Mich.

To meet the demands of business it often becomes necessary for the owner of personal property to use it as a guaranty for

the faithful performance of some contract. In recognition of this the different states provide that mortgages of all classes of chattels may be made, and to permit the mortgagor to retain possession, they provide for a record which shall impart notice to the world and take the place of actual notice which would be imparted by a continued change of possession. The different states also provide that the mortgage is void as against creditors of the mortgagor, subsequent purchasers and mortgagees in good faith unless it is filed or recorded and unless it is accompanied by immediate delivery and followed by an actual and continued change of possession.

Some states provide that the chattel mortgage shall be recorded with the township or city clerk, others with the county clerk or register of deeds. In some states—Michigan is one of them—the requirement is that mortgages on chattels or merchandise shall be recorded both with the township and county officers. In most states the record is good for one year only, but in some states—among them Illinois and Minnesota—it is good for two years; in Delaware for three years; in Nebraska, five years, and in Florida a renewal is not required. Most states provide for a renewal by filing an affidavit showing the interest of the mortgagee in the property at the time of such filing.

The object of the recording act is to prevent fraud and deception by making it impossible for the mortgagor of personal property to pose as an unqualified owner. It is not the intention of the recording act to make the mortgage invalid as between the parties if not recorded, but merely to make it void as to creditors and subsequent purchasers and mortgagees in good faith.

The courts hold that all parties are bound by the record of a chattel mortgage both as to what it actually shows and also as to all information which might have been obtained by inquiries suggested by the recorded mortgage and such inquiries must be made at the primary source of information—the parties themselves. When a mortgage is duly recorded a purchaser buys the property at his peril and by his purchase becomes guilty of conversion if the property is lost or destroyed even without his fault. It has been held that where a mortgage is

withheld from record by agreement to enable the mortgagor to retain his credit it constitutes fraud. This applies more particularly to persons in business who have credit extended to them on the supposition that their stock is unencumbered.

It occurred to me that this paper might be more helpful, especially to the new members, if it gave in addition to my own conclusions the experiences and views of the membership as a whole. Therefore, I wrote to all the companies which loan on chattel mortgages asking for information on the following points:

Number of loans made; number of loans recorded; cost of recording; rule regarding recording; losses, if any, from not recording; losses, if any, saved by having the mortgages recorded. Twenty-two companies gave reports for the last fiscal year and the answers were very interesting and instructive.

#### RULES FOR RECORDING

I find that 22 companies recorded 19,746 mortgages or 49% of the 39,935 made during the year. It is surprising to find what a difference of opinion prevails as to the wisdom of recording. One company that made 900 loans did not record a single mortgage. One that made 1,137 loans recorded only five. One that made 1,638 loans recorded only 37 while seven companies reported filing practically all their mortgages.

I find the percentage of mortgages recorded depends largely on the cost of filing in the different states.

In Minnesota filing costs \$.10, in Wisconsin \$.12, in New York \$.10 to \$.12 in many counties, in Ohio \$.24, in Michigan \$.25, in Massachusetts \$.50 to \$.85, in Kentucky \$1 for recording and \$.25 for releasing. Some states charge \$.10 to \$.12 for satisfying the mortgage. In New Jersey the cost of filing in the different counties runs from \$1.41 to \$1.72, while in California it runs as high as \$3. One cannot help wondering why this difference exists for, surely, if \$.10 to \$.12 is sufficient to pay the cost of recording in some states, then \$2 to \$3 is an unreasonable charge.

Filing might be regarded as a kind of insurance and if all mortgages were recorded the cost to the different companies

would vary from  $\frac{2}{5}$  of 1% to 8% per annum on the capital invested in loans.

One company records mortgages exceeding \$25; one, over \$50, and one, over \$100. Another records, regardless of amounts, when a borrower persists in ignoring notices to call and pay. One records when the borrower moves without notice or when it learns anything unfavorable or that the borrower is trying to dispose of or remortgage the goods. In one company the directors unanimously agreed that all mortgages should be filed so that no preferred borrower or set of borrowers would have the information suppressed. In that state the cost of filing is only \$.10 and of satisfying, \$.10. One company has recorded only 27 mortgages through dislike of affecting the credit of the better class of borrowers. One manager thinks all loans should be recorded on the general principle of preparedness.

The common practice immediately after organization is to file most of the mortgages and gradually reduce the number after finding that losses do not come from this source. One company which recorded about half of its mortgages last year at a cost of \$2,686.67 has recorded only one mortgage in the past two months.

#### LOSSES FROM NOT RECORDING

One company reports a few losses from not recording. Four report losses of less than \$100 each. One a loss of \$7, and 15 report that they cannot recall a single loss during the past year from not recording.

The manager who analyzes the causes of losses will probably find that many of them represent small balances due from borrowers whose present location is unknown or upon loans which it seems inadvisable to foreclose. In case the location of the borrower is not known it is likely that the location of his goods is also unknown and in either event filing would not prevent a loss.

To illustrate: Since the organization of our company five years ago we have made 10,461 loans aggregating about \$480,000. We have charged off in bad accounts during the five years \$639 or one-seventh of one per cent. This represents, largely, small balances due on 94 loans—an average of only \$7 to each loan.

On many of these we might have enforced collection, but it did not seem advisable and filing would not have saved the loss.

Another source of loss is from goods in storage where the expenses and interest soon accumulate until the goods are often abandoned and will not sell for enough to pay up all liens. If goods are put in storage with the knowledge and consent of the loan company, the storage company, under Michigan laws, has first claim and filing would not save a loss. If goods are put in storage without the knowledge of the loan company, the latter need not pay charges that have accumulated prior to the time the loan company located them, provided the mortgage was filed which would give legal notice to the storage company. In common with the policy of the installment houses we have found it advisable to disregard this legal protection and pay the storage companies all their claims. By so doing we have the cooperation and good-will of every storage company in the city which is worth many times any losses from this source. This is another case in which filing does not prevent a loss.

The object of filing is to prevent loss, but the fact is that the remedial loan companies do not have many losses from any source. In this respect they compare very favorably with the very best managed banking and mercantile institutions. They have demonstrated the safety of personal property as security for a loan when the business is conducted in a conservative and businesslike manner.

There seldom is any advantage in filing except when a foreclosure of the mortgage is desired. Our company has foreclosed only two mortgages and in both cases the parties were guilty of embezzlement. If the mortgagors are honest I can think of no advantage in filing except in bankruptcy proceedings where the mortgage is on a stock of goods or other exemptions. In such cases, if the mortgage is not recorded the referee in bankruptcy of our district regards the mortgagee as a party to a fraud and will not recognize him even as a common creditor.

Like cash registers and accounting systems filing is a protection against but not a prevention of fraud. To state the case in the words of a manager from Iowa: "If we are dealing with a crook, he is going to beat us regardless of whether the mortgage

is recorded." With the present facilities for personal investigation, as perfected by most loan companies, few dishonest borrowers get on the books. A borrower whose record has been clean up to the time of securing a loan will seldom become dishonest during the few months that a loan is running. A dishonest borrower who is skilful enough to cover up his reputation with all his tradespeople is usually skilful enough to get away with the goods or the price of them regardless of whether the mortgage is recorded.

We occasionally have borrowers who remortgage their goods to another company. They often have a fairly good reputation and they want to stay in the city and keep their furniture, but are in urgent need of more funds and do not know of any other way to secure them. They expect to pay both loans and usually make prompt payments even if they are slow on their unsecured debts for they know that to do otherwise would mean disaster. If mortgaged property is sold or remortgaged it is usually with the knowledge and consent of both the man and his wife so that pressure can be brought to bear on both parties and one or the other will usually settle when they understand they are guilty of a misdemeanor or a felony.

In cases where we find another mortgage recorded for a small amount we do not even take the time to call on the borrowers. We send them a special delivery letter asking them to call within a certain number of hours. We enclose in the letter a printed copy of the Michigan laws with the penalties for the fraudulent removal, concealment, disposal or embezzlement of personal property under chattel mortgage. We make no threats but the borrowers can read between the lines and they usually are on hand before the appointed time to make a satisfactory settlement. The filing of the mortgage does not affect the matter.

#### LOSSES AVOIDED BY RECORDING MORTGAGES

We find that during the last year eight companies, by filing 5,897 mortgages at an expense of \$916, saved losses estimated at \$1,100, while 12 companies, by filing 10,327 mortgages at an expense of \$5,776, cannot recall having saved a single dollar by recording. One company spent \$1,540 for recording mortgages

during the last two years and cannot recall having saved any money. Twenty companies spent \$6,813 to save \$1,100. It usually would not be regarded as good business to spend \$6 in order to save \$1, but that is exactly what we are doing in the aggregate.

The foregoing facts and figures lead me to the following conclusions:

1. In states where the cost is \$.10 to \$.12 it is advisable to file about 50% of the larger mortgages at once and smaller ones when unfavorable information is received.
2. Where the cost of filing is \$.25 and up, file only mortgages over \$100 at the time of loaning and smaller ones at any time the borrower is suspected of trying to sell or remortgage his goods.
3. File all mortgages on stocks of goods or goods that are not legal exemptions on account of danger of bankruptcy proceedings or attaching creditors.
4. Make no arrangements with any class of borrowers that mortgages will not be filed. It encourages fraud and some will take advantage of it.

At the close of the discussion of Mr. Stroup's paper it was ascertained that the majority of the societies represented always search the records for liens already filed, whether or not their own mortgages are to be filed.

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#### STANDARDS OF SALARIES

#### INVESTMENT BY MANAGERS IN THE CAPITAL STOCK OF THEIR COMPANIES

A. L. WHITMER, Sioux City, Ia.

The amount of salary which managers should receive, in my judgment, depends upon the amount of capital stock that is entrusted to their care and it is time for this Federation to take a stand as to what percentage of the paid-in capital a manager should receive as salary, where he practically alone is held responsible for the money invested and the success of the bus-

iness. It is a business that requires more thought, tact and judgment than managing a country bank of like capital, in which it is less easy to make a bad loan. We must have our hearts with our borrowers, who lack training and education as to values and reasonable interest rates. We are serving that part of the public which has been unable to protect itself, heretofore, from exorbitant interest rates.

I do not like the name "remedial" in connection with our business. It is not understood by 90% of our borrowers and gives a large percentage of the general public a wrong impression. We have heard "bank" all our lives and have always known it is a place to borrow money. We are really conducting small loans banks. On account of the kind of security we take we must have faith in the honesty of the less fortunate members of society. Our business requires careful watching, unlimited patience and extra good nerves. Managers must have strong character, good habits and be absolute abstainers.

National, state, savings and private banks are organized for profit. Including building and loan associations they have over \$9,000,000,000 on deposit. This money is loaned to furnish capital for our different enterprises. Any number of banks with a capital of \$50,000 have \$500,000 or more in deposits. The profits are much larger than those of loan associations with the same amount of capital, for with the securities we take, it would not be good policy to accept deposits and the expense is considerably larger in making small loans than large. Our stockholders understand that our associations are not organized solely for profit; that it is our aim to render a service to the small borrower who has not been taken care of by the banks of deposit but has been imposed upon and compelled to pay unreasonable interest rates by money sharks, because there was no other place for him to go when it became necessary for him to obtain a small loan. Oftentimes our applicants ask for loans when it is not at all necessary that they should borrow. Our borrowers need to be taught that borrowing money is only a temporary relief and that the money must be paid back by their own efforts in small monthly or weekly payments. Rarely do we make a loan for purposes of investment.

Borrowers have to be taught that our associations are endeavoring to cooperate with them in their efforts to become thrifty. A definition of thrift, as given in the *New York American*, is as follows:

"The thrift habit is a sister to a good many other beautiful habits. Thrift implies industry and of course thrift is economy, and economy means the care of things and their proper use. You do not waste anything that can be used. You save it, care for it, preserve it."

Thrift is generally the result of some sacrifice, and nothing worth while comes except through sacrifice. Money has many good uses other than giving the possessor gratification of all his selfish desires. It enables one to help the unfortunate, to give to many worthy objects. Money educates. It is essential to comfort in health and sickness.

Statistics compiled by life insurance companies show that 85% of all the people who reach the age of 65 years are dependent, in some degree, upon someone else for support. In Massachusetts it costs \$5.55 a year for each man, woman and child to support the public and private charities, and it is believed that 50% of the poverty is preventable.

Borrowers must be shown that if they continue to spend \$1.10 for \$1 earned they will always be in debt and in the end bankrupt. They must be taught the folly of wasting money if our small loans banks are to be a success. There are plenty of worthy applicants for money without loaning to the man who can get along just as well without it and oftentimes is better off when he fails to secure a loan.

We have on our books borrowers from every walk of life, from the man carrying the dinner pail and receiving \$2 a day for his labor to the skilled and efficient man receiving an annual salary of \$3,000 or more. I believe every man wants to save. Often he does not know how or where to begin, having an idea he must have some large amount to start with. This is especially true of the man who receives a good salary. We have many borrowers paying for their homes on a salary of \$60 per month, but with a large majority of borrowers disease and death find them waiting to begin to save. The manager of one of these companies or associations has a responsible place to fill and has

a devoted following. He is continually expected to give advice and encouragement to borrowers who come to him. I believe it is necessary for managers to save in order that they may set a good example to their borrowers.

A manager should receive sufficient salary to enable him to save by practicing only a certain amount of self-denial without denying himself and his family any necessities. He should be able to invest 25% of his salary in the stock of his company to which he is giving his best efforts. Do not hesitate to go in debt for stock in the company you are managing. Going in debt for something that will later produce is one of the best ways of saving money that I know. It has at least proven so in my case. It will accumulate a capital which will broaden your opportunities, safeguard your future and may create an income sufficient to take care of you when your producing days are over. This applies to every man regardless of the nature of his work.

My judgment is that a manager should receive as salary an amount equal to 5% of the paid capital stock of his company up to \$100,000 and in no event less than \$125 a month. At the interest rates recommended by this Federation a loan company cannot earn a profit with a capital of less than \$25,000. When a company has an outstanding loan balance of \$100,000, the manager is surely holding a position that is worth \$5,000 a year to his stockholders and many times that amount to his borrowers in many different ways.

We who are the managers of these associations should strive to know precisely what this Federation stands for. We should understand what it is doing in solving the many vexing questions arising in this great work, and in the assistance it affords its members, and we should spread the good work to neighboring cities whenever possible. We must not be satisfied because everything is going smoothly in our own associations but we must take into consideration the fact that it was through this Federation that a very large proportion of our associations were organized. We should not only return favors which have been rendered to us by the Federation but should assist in adding new members to its roll. I hope the time will come when the Federation will be represented by a member in

every city in the United States and Canada which has a population of 25,000 or more. We are going to grow until we are one of the nation's most valuable assets.

Following the discussion of Mr. Whitmer's paper it was ascertained that of the 20 managers present eight representing societies having a loan balance of less than \$50,000, receive an average salary of \$2,187, the range being from \$1,000 to \$4,000; three of the eight own stock, the smallest amount being \$500 and the largest \$17,000; two are directors. Six managers representing societies having a loan balance of from \$50,000 to \$100,000 receive an average salary of \$2,953, the range being from \$2,300 to \$5,000; four own stock, the smallest amount being \$250 and the largest \$18,000; four are directors. Six managers representing societies having a loan balance of over \$100,000 receive an average salary of \$3,083, the range being from \$2,400 to \$5,000; four own stock, the smallest amount being \$2,500, the largest, \$20,000; two are directors.

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## THE FUTURE OF THE REMEDIAL LOAN MOVEMENT

### THE OUTLOOK FOR THE NATIONAL FEDERATION

HUGH CAVANAUGH, Cincinnati, Ohio

In the discussion of this topic it seems to me necessary to determine, if possible, what should constitute a remedial loan society. As a Federation, we have never attempted to answer this question definitely, but upon it the future of this organization will largely depend. If the qualification for recognition as a remedial company is simply the possession of a license and the observance of the law regulating the loaning of money, then, I would say, we should devote all our efforts to having laws enacted legalizing and supervising the business and leave the rest to the state.

Under the provision of such laws shark companies become legal institutions, provided, of course, they comply with the legal requirements. Such companies being purely business concerns and desirous of making all the money they can, will

exercise their privilege and charge the limit that the law allows. In some states the law is so liberal that the rates permitted can scarcely be considered remedial.

Wherever lenders of this kind exist there should be a field and opportunity for a remedial society,—for a society that will be satisfied with a fair profit—which, with reasonable care, can be made successful loaning at rates below those permitted by the laws of some states represented here to-day. Under such a policy the remedial company should soon control the business.

I speak with personal knowledge of the first four companies organized when I say that the introduction of the remedial loan business in the West was purely philanthropic and unselfish. The first was the Cincinnati company, instituted June 1900. Five years later the Provident Loan Co. of Milwaukee was organized and during the next year the Workingman's Loan Co. of Cleveland and the Provident Loan Society of Detroit were organized. I call attention to these four companies for this reason: in each case the founders of these companies went out from their respective cities on a tour of investigation to obtain at first hand all the information possible concerning the necessity for remedial loan associations, their methods of operation and experience.

The Cincinnati representative visited the Eastern cities and on his return home was successful in instituting the Citizen's Company. The success of the company became known in other cities and in the course of time the men referred to from Milwaukee, Detroit and Cleveland spent several days with us investigating the work of the company. These men, as I remember them, were all of the same mind. With them it was not a question of profit but of the ability of the plan to meet the requirements. Convinced that it would furnish a remedy for the loan shark evil, they returned to their homes and organized their societies which we know have been eminently successful and strictly remedial.

I call attention to the experience of these companies to show that it is possible to find men who are willing to finance such institutions in the spirit of philanthropy.

If we have not been as successful in organizing remedial societies as we might desire it has not been due to selfishness. The question of dividends should not necessarily prevent their formation. To obtain the means necessary to finance a company you must appeal to men of wealth who are in sympathy with the movement to remedy the evil. Such men have their investments, but among them they would scarcely consider a few shares of remedial loan stock in the same class with Government securities, oil or steel. The dividend promised should not necessarily be an inducement to contribute to the cause. To men such as I have in mind—and they are to be found everywhere—the purpose and not the profit would appeal.

My own experience in charge of a company which has been doing business for more than sixteen years, proves beyond question that a successful business can be done at a rate much less than most states permit. Under the law in Ohio, we can legally charge \$20.16 for \$100 for one year. This is the minimum charge; that is, if the contract is not observed strictly to the letter a further charge can legally be imposed.

Our rate for \$100 for one year is \$11.50 for the first loan, and subsequent loans are cheaper. Ours is one of the most successful of loan companies. I want to emphasize this and say, if there is a loan company represented here today that charges the same as its competitors, it is standing in its own light. If it has nothing better to offer than the other fellow, it will be folly to expect it to lead in the procession.

I would say, as a rule, that a loan company to be classed as remedial should have something better to offer than an institution that charges the limit permitted. In our claim of being one of the most successful loan companies, we are entitled to the credit for the present satisfactory condition in Cincinnati. There are only three chattel loan companies besides our own and they are doing a strictly legal and fair business as far as we know.

Has the National Federation served its purpose? Does its record, especially in the past few years, justify the time and expense bestowed upon it? Even though we give the Fed-

eration credit for all that has been accomplished, then is it worth while? The purpose of the National Federation, briefly stated, is to encourage the formation of local organizations, and to direct persons who are interested in the work and contemplate organizing remedial societies. Have we rendered all the aid that is required? If we have, a change of program is needed.

If it is our intention to continue as missionaries, so to speak, I would suggest a more aggressive and practical campaign than we have conducted heretofore. I believe that a letter, such as our experience would suggest, sent to every chamber of commerce, board of trade, business men's club and similar organizations, would create a sufficient interest to pay for the effort if nothing more. Such a letter sent to a city where the loan shark evil still exists ought to result in practical work. In all this we should emphasize the remedial rather than the commercial aspect of the business.

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## MEMBERSHIP QUALIFICATIONS

J. E. RYAN, Detroit, Mich.

The question of membership qualification is an important one, and I will try to give you in a few words my views as to what qualifications a company should have in order to become a member of this Federation.

The National Federation of Remedial Loan Associations was formed in 1909 for the express purpose of protecting small borrowers from the extortions of the loan shark, but demanded that companies making up its membership should loan money at legal rates of interest and that money-making should not be their chief purpose. It was intended also that this organization should give its support to the formation of similar societies all over the United States and do what it could to secure proper legislation governing this class of business. The loan shark, in consequence of our efforts variously directed, is rapidly becoming a thing of the past all over the United States. However, it is found

that wherever there are special laws governing this class of business, many companies have gone into it for purely monetary reasons, although in their advertising they often claim that they are fighting the loan sharks.

Eligibility for membership in the Federation should mean:

First, that a society will loan money wherever possible at less than the legal rate, and reduce its charges from time to time when the increase of business warrants such action.

Second, if a surplus be accumulated, that it shall not be distributed to the stockholders but retained as part of the permanent assets of the society for the purpose of reducing rates.

Third, that dividends shall be limited to the lowest rate at which it is possible to secure money to carry on the business.

Fourth, as a large percentage of the money loaned is to relieve the unfortunate, that such loans shall have preference over those made as a purely business investment. The poor man needs the loan oftentimes more than the business man does, but since he has a poorer kind of security to offer, he necessarily is compelled to pay a higher rate of interest.

It should be the policy of our members to discourage borrowing. Often by our advice we may enable people to get along without borrowing for what in a great many cases prove to be unnecessary reasons. The so-called "legal rate companies" encourage it. That is where we differ, even though some of our members charge the full rate of interest allowed by law.

**THE CHAIRMAN:**—It was the hope of the committee that each manager in discussing this topic would express his opinion of what can be done to enhance the development of the Federation. We all realize that remedial loan societies are not being organized rapidly at the present time. This may be due to lack of activity on the part of the officers of the Federation but I feel that the halt has been inevitable.

**MR. PHILLIPS:**—We should make more of an effort to establish pledge departments among the societies already operating with the idea of eliminating the exactions of the pawnbrokers.

MR. BURNHAM:—If we are going to make progress it is absolutely necessary to put an organizer in the field.

MR. HAM:—We have all been somewhat disappointed at the growth of this Federation. We ought to realize, however, that the Federation has not done much to organize companies. Its function has been largely to bring the managers together once a year for an interchange of ideas. The managers have always been ready to help other communities but it has not been the function of the chairman and secretary to go to other cities and assist in organizing remedial loan societies. The Division of Remedial Loans of Russell Sage Foundation has but a small staff. I myself have been able to devote little time to organization work. Most of the things which Mr. Cavanaugh suggested in his paper have been done. Chambers of commerce, fraternal organizations and charitable institutions have all been circularized—also bureaus of municipal research, legislative reference bureaus, etc. Wherever we thought there was a need for a remedial loan society we have sent pamphlets and written letters in an attempt to arouse interest. We have pointed out what these societies are doing, furnished forms, by-laws and prospectuses. We have addressed many meetings called to consider the question, but the results have been small. No amount of correspondence will stir up men to go out and raise capital for remedial loan societies. Many are willing to contribute but what they want is someone to do that work for them, to choose an office, select a staff and install a system. Russell Sage Foundation is not at present in a position to provide such a service. All that we can do at present is to continue our study of the small loan subject and conduct our educational and legislative campaigns which are important.

In one city a society is about to start which is the result of nearly three years' constant effort on our part. To organize a society with any dispatch requires the personal service of someone for an extended period to raise the capital and install the office system. We cannot provide that at present and until we have more funds available or until this Federation can hit upon some method of getting a considerable sum of money for such work it is useless to discuss the matter.

MR. BURNHAM:—Each society that is a member of the Federation should contribute from its surplus to the work of national organization. What better use could be made of the surplus than in extending the benefits of these associations? If properly handled the work could be made self-supporting by each community in which societies are established paying a fair amount for services rendered.

THE CHAIRMAN:—It is your idea that each society should contribute to a general fund for organization work, all expenditures being reimbursed by payments on the part of cities in which societies are formed. The only losses would come in cities in which organization was not effected.

After further discussion it was voted that a committee of five, including the Chairman of the Federation, be appointed to consider the question of national organization, prepare recommendations and report directly to the directors of each society, sending a copy of its report also to each manager. The committee as appointed consisted of Messrs. Brown, Burnham, Davis, Ham and Tucker.

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#### Fifth Session, June 23, 1916, 8:00 p. m.

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It was voted that the Executive Committee report to the Federation at the next annual convention the names of all companies which have been refused admission to the Federation and the reason for such refusal.

Invitations were presented to the Federation to hold its next annual convention in Buffalo, Milwaukee, Louisville, Chicago and Cincinnati. It was voted to accept the invitation of Cincinnati, the date to be fixed by the Executive Committee.

Following the report of the Nominating Committee, Mr. Chas. H. Brown, Jr., of Buffalo, was re-elected Chairman and Mr. George E. Upson, of Utica, N. Y., was re-elected Secretary-Treasurer.

The Chairman appointed Messrs. Bigelow, Cavanaugh, Glidden, Ham, Rutherford, Stroup and Tucker to serve with the Chairman and the Secretary-Treasurer, as the Executive Committee.

Convention adjourned.

## APPENDIX I

CONSTITUTION OF THE NATIONAL FEDERATION OF  
REMEDIAL LOAN ASSOCIATIONS

**NAME.** This organization shall be known as the National Federation of Remedial Loan Associations.

**OBJECT.** The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

**MEMBERSHIP.** Subject to the decision of the Executive Committee, all societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate.

The annual dues shall be as follows: For societies having a loan balance of less than \$50,000, \$10; for societies having a loan balance of from \$50,000 to \$100,000, \$15; for societies having a loan balance of from \$100,000 to \$500,000, \$25; for societies having a loan balance of from \$500,000 to \$2,000,000, \$50; for societies having a loan balance of \$2,000,000 or more, \$100.

**OFFICERS.** The officers of the Federation shall be a Chairman and a Secretary-Treasurer. These with seven others appointed annually by the Chairman shall constitute the Executive Committee. Any vacancies occurring between conventions shall be filled by the Executive Committee.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.

## APPENDIX II

## REPORT OF THE COMMITTEE ON ANNUAL REPORT

At the annual convention of the National Federation of Remedial Loan Associations held in Baltimore, May 13-15, 1915, it was voted that the Committee on the Annual Report consisting of Messrs. Davis, Ham and Upson, prepare a form of report to be submitted to the members of the Federation prior to Jan. 1, 1916, as a guide to them in preparing their next annual reports.

The purpose of the annual report is, (1) to inform the directors of the exact condition of the society in order that they may move to check unfavorable tendencies; (2) to acquaint present and prospective stockholders with the facts regarding the society's development; and (3) to provide exact information for persons interested in forming remedial loan societies in other cities.

The preliminary report of the Committee published in the Federation's Bulletin, July, 1915, recommended that the annual report of each society, exclusive of matter contained in the report of the president or secretary, contain the following:

Comparative balance sheet for current and previous years.

Comparative profit and loss account for current and previous years.

Condensed cash account for the year.

Statement of operations for current and previous years showing the volume of transactions each month in number and amount, together with figures per day or per loan and certain percentages which may be deemed advisable.

As a result of further consideration of the matter and comments on the preliminary report received from some of the managers, the Committee now recommends that the annual report of each society, in addition to the report of the president, contain the following:

1. Consolidated balance sheet for the current year.
2. Comparative income or profit and loss account for current and previous years.

3. Condensed cash account for the current year.
4. A comparative statement of operations during the years that the society has been in operation, containing substantially the same information now published in the statistical folder of the National Federation.
5. A statement of the number of loans made during the current year according to amounts.

Suggested forms for these statements follow. The Committee believes that these statements can be compiled without much difficulty and should be of great value not only to directors and stockholders but to interested people in other cities. The Committee believes that there is no good reason why this information should not be included in a published annual report.

WILLIAM F. DAVIS, Chairman

A. H. HAM

GEORGE E. UPSON

## SUGGESTED FORM OF STATEMENTS FOR ANNUAL REPORTS

### Consolidated Balance Sheet at December 31, 1915

ASSETS		LIABILITIES	
Loans outstanding .....		Capital stock.....	
Securities .....		Loans payable.....	
Interest accrued on loans and securities .....		Loans payable, interest .....	
Furniture and fixtures .....		Surplus and undivided profits..	
Cash on hand and in banks ....			

### Comparative Income Account

INCOME		EXPENDITURES	
	1915	1914	
Interest earned on loans .....			Salaries .....
Interest earned on securities.....			Rent .....
Interest earned on bank balances .....			Advertising .....
Fees.....			General Expenses ....
Recoveries on loans charged off.....			Losses.....
			TOTAL.....
			Balance to surplus account.....

### Condensed Cash Account for Year Ending December 31, 1915

RECEIPTS		DISBURSEMENTS	
Cash on hand and in banks, December 31, 1914.....		Loans .....	
Loan repayments.....		Expenses .....	
Interest .....		Securities purchased .....	
Fees.....		Interest on loans payable .....	
Loans payable .....		Dividends .....	
Stock subscriptions.....		Sundries .....	
Sundry Accounts.....			
TOTAL RECEIPTS .....		TOTAL DISBURSEMENTS....	
		Cash on hand and in banks, December 31, 1915.....	

**Comparative Statement of Operations During Years Ending Dec. 31, 1915**

Year	Applications Received	Number of Loans Made	Amount Loaned	Amount Repaid	Losses	Balance Outstanding	Number of Loans Outstanding
1912							
1913							
1914							
1915							

Year	Average Loan Balance	Average Loan	Gross Income	Expenses	% Dividend Paid	Surplus and Undivided Profits
1912						
1913						
1914						
1915						

NOTE.—In addition to the foregoing, the Manager's Report to Directors should show the number and amount of loans delinquent three days or more. This information need not, however, be published in the annual report.

### Number of Loans Made During 1915 According to Amounts







332.305

NA

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THE NATIONAL FEDERATION OF REMEDIAL LOAN ASSOCIATIONS

RL 29

# BULLETIN

OF

## The National Federation of Remedial Loan Associations

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September, 1917

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PROCEEDINGS  
NINTH ANNUAL CONVENTION  
Cincinnati, Ohio, May 10-12, 1917

PUBLISHED BY  
THE NATIONAL FEDERATION OF REMEDIAL  
LOAN ASSOCIATIONS

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LOAN ASSOCIATIONS

UNIVERSITY OF KANSAS LIBRARIES

1917

NINTH ANNUAL CONVENTION

OF

The National Federation of Remedial  
Loan Associations

HELD AT

HOTEL SINTON

Cincinnati, Ohio, May 10-12, 1917

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# The National Federation of Remedial Loan Associations

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## OFFICERS

HUGH CAVANAUGH, Chairman, 514 Main St., Cincinnati, Ohio.

GEORGE E. UPSON, Secretary-Treasurer, 107 Paul Building, Utica, N. Y.

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## EXECUTIVE COMMITTEE

HUGH CAVANAUGH, Cincinnati, O.

FRANK TUCKER, New York, N. Y.

GEORGE E. UPSON, Utica, N. Y.

RALPH C. GLIDDEN, Minneapolis, Minn.

F. E. STROUP, Grand Rapids, Mich.

CHARLES H. BROWN, JR., Buffalo, N. Y.

CHAS. F. BIGELOW, Providence, R. I.

R. M. Rutherford, Louisville, Ky.

A. H. HAM, 130 East 22nd St., New York, N. Y.

## MEMBERS OF THE FEDERATION

		Organized
1	Collateral Loan Co., Boston, Mass. Thomas J. Reid, Gen. Mgr.	1859
2	Workingmen's Loan Assn., Boston, Mass. T. A. Richardson, Mgr.	Apr. 1888
3	St. Bartholomew's Loan Assn., New York, N. Y. J. R. Ferguson, Mgr.	Feb. 1894
4	Provident Loan Society of New York, N. Y. Frank Tucker, Vice-Pres.	May 1894
5	Worcester Collateral Loan Assn., Worcester, Mass. C. E. Burnham, Treas.	Nov. 1896
6	Workingmen's Loan Assn., Providence, R. I. Chas. F. Bigelow, Mgr.	Jan. 1898
7	First State Pawners' Society, Chicago, Ill. Samuel Wolfson, Mgr.	Nov. 1899
8	Citizens' Mortgage Loan Co., Cincinnati, Ohio. Hugh Cavanaugh, Mgr.	June 1900
9	Provident Loan Society, Milwaukee, Wis. I. W. Starkweather, Mgr.	Feb. 1905
10	Newark Provident Loan Assn., Newark, N. J. Wm. F. Davis, Mgr.	Apr. 1905
11	Workingman's Collateral Loan Co., Cleveland, O. W. J. Kirkpatrick, Secy.	Apr. 1906
12	Provident Loan Society of Detroit, Mich. John E. Ryan, Mgr.	July 1906
13	Chattel Loan Co., Grand Rapids, Mich. F. E. Stroup, Treas.	Jan. 1910
14	Equitable Loan Assn., Minneapolis, Minn. R. C. Glidden, Mgr.	Apr. 1910
15	People's Provident Association, Louisville, Ky. R. M. Rutherford, Mgr.	Oct. 1910
16	Remedial Provident Loan Association, Paterson, N. J. F. X. Meegan, Mgr.	Nov. 1910
17	Welfare Loan Agency, Kansas City, Mo. M. M. Power, Supt.	Dec. 1910
18	Provident Loan Society, Seattle, Wash. H. C. Henry, Pres.	Jan. 1911
19	People's Loan Company, Portland, Me. C. A. McCarty, Treas.	Dec. 1911
20	Chattel Loan Society of New York, N. Y. George H. Loh, Mgr.	Feb. 1912
21	Provident Loan Society, St. Paul, Minn. D. S. Coffey, Mgr.	Feb. 1912
22	Utica Provident Loan Assn., Utica, N. Y. George E. Upson, Mgr.	Mar. 1912
23	Provident Loan Assn., Sioux City, Iowa. A. L. Whitmer, Pres.	Apr. 1912
24	Indianapolis Public Welfare Loan Assn., Indianapolis, Ind. C.R. Jones, Mgr.	Nov. 1912
25	San Francisco Remedial Loan Assn., San Francisco, Cal., Albert C. Auger, Mgr.	Dec. 1912
26	Provident Loan Society, Rochester, N. Y. F. A. Phillips, Mgr.	Dec. 1912
27	Remedial Loan Society, Buffalo, N. Y. Charles H. Brown, Jr., Mgr.	Jan. 1913
28	Onondaga Provident Loan Assn., Syracuse, N. Y. Erasmus Pellenz, Mgr.	Mar. 1913
29	Duluth Remedial Loan Assn., Duluth, Minn. Harry A. Berg, Mgr.	May 1913
30	First State Industrial Wage Loan Society, Chicago, Ill. Arthur E. Hill, Mgr.	Nov. 1913
31	Portland Remedial Loan Assn., Portland, Ore. C. Myers Herrman, Mgr.	Feb. 1914
32	Provident Loan Society, Dallas, Tex. Nathan Halpern, Mgr.	June 1914
33	Remedial Loan Company of Philadelphia, Pa. Alfred V. Souder, Mgr.	Oct. 1914
34	Lynn Remedial Loan Society, Lynn, Mass. Arthur J. Northrup, Mgr.	Apr. 1915
35	Provident Collateral Loan Company, Dayton, Ohio. H. A. Keeseker, Mgr.	Sept. 1915

## DIRECTORS OF THE MEMBER SOCIETIES

---

### COLLATERAL LOAN COMPANY Boston, Mass.

Charles P. Curtis, Pres.	Charles E. Ware
Lewis E. Moore	John F. Moors
William R. Dewey	Clarence W. Rowley
	Thomas J. Reid, Gen. Mgr.

### WORKINGMEN'S LOAN ASSOCIATION Boston, Mass.

Arthur Lyman, Pres.	Arthur S. Johnson
R. T. Paine, 2nd	Herbert Lyman
John F. Moors	John H. Storer
Edmund Billings	Samuel Carr
Henry B. Cabot	F. M. J. Sheenan
Francis P. Sears	T. A. Richardson, Manager

### ST. BARTHOLOMEW'S LOAN ASSOCIATION New York, N. Y.

Rev. Leighton Parks, Pres.	W. B. Osgood Field
A. W. Krech	Henry W. Hayden
William A. Greer	E. W. Humphreys
George S. Brewster	Ambrose D. Henry
Warren E. Dennis	Henry P. Rogers
J. Morgan Wing	Carl A. de Gersdorff
	Jas. R. Ferguson, Manager

### PROVIDENT LOAN SOCIETY OF NEW YORK New York, N. Y.

James Speyer, Pres.	Robert W. de Forest
Frank Tucker, Vice-Pres.	Percy A. Rockefeller
Otto T. Bannard	V. Everit Macy
Mortimer L. Schiff	William Sloane
George F. Baker, Jr.	David H. Greer
John D. Crimmins	Harold T. White
Frederic B. Jennings	George B. Hopkins
Horace E. Andrews	George S. Brewster

### WORCESTER COLLATERAL LOAN ASSOCIATION Worcester, Mass.

A. L. D. Buxton, Pres.	John T. Brierly
Chas. E. Burnham, Treas.	Lyman A. Ely
Henry L. Parker	Geo. E. Copeland
	John F. Kyes

WORKINGMEN'S LOAN ASSOCIATION  
Providence, R. I.

Arthur W. Claflin, Pres.	Forrest G. Eddy
William Gammell	Preston H. Gardner
Rathbone Gardner	John R. Gladding
Henry D. Sharpe	Walter G. Brown
Howard L. Clark	Albert Babcock
John H. Mason	Chas. F. Bigelow, Manager

FIRST STATE PAWNERS' SOCIETY  
Chicago, Ill.

John V. Farwell, Pres.	David R. Forgan
John G. Shedd	Edgar A. Bancroft
Frank H. Jones	Thos. E. Donnelley
John W. Scott	Rollin A. Keyes
Edward B. Butler	Samuel Wolfort, Manager

CITIZENS' MORTGAGE LOAN COMPANY  
Cincinnati, O.

Louis E. Miller, Pres.	D. D. Woodmansee
Wm. H. Alms	B. H. Kroger
Ralph R. Caldwell	Harry M. Levy
W. B. Carpenter	D. B. Meacham
Sanford Brown	J. G. Schmidlapp
Max C. Fleischmann	Max Senior
Hugh Cavanaugh, Manager	

PROVIDENT LOAN SOCIETY  
Milwaukee, Wis.

Wm. D. Lindsay, Pres.	H. M. Benjamin
Neil Norris	J. H. Kopmeier
Wm. B. Rubin	Walter Read
Robt. E. Friend	John E. DeWolf
Oscar Nell	I. W. Starkweather, Manager

NEWARK PROVIDENT LOAN ASSOCIATION  
Newark, N. J.

Henry H. Dawson, Pres.	James A. Coe
Julius S. Rippel	Franklin Conklin
Benjamin Atha	Philemon L. Hoadley
David H. Merritt	Alexander S. Ward
Louis Bamberger	Walter C. Heath
G. Wisner Thorne	Lathrop Anderson
James W. Pittenger	Wm. F. Davis, Manager

WORKINGMAN'S COLLATERAL LOAN CO.  
Cleveland, O.

A. D. Baldwin, Pres.	T. W. Hill
F. F. Prentiss	Reuben Hitchcock
S. F. Haserot	Wm. H. Hunt
Edward L. Howe	A. L. Stone
C. L. F. Wieber	H. H. Hackman
J. W. Walton	W. J. Kirkpatrick, Secy.

PROVIDENT LOAN SOCIETY  
Detroit, Mich.

Tracy W. McGregor, Pres.	James Inglis
D. M. Ferry	Bernard Ginsburg
H. E. Bodman	Wm. P. Stevens
Christian H. Hecker	James S. Holden
	John E. Ryan, Manager

CHATTEL LOAN COMPANY  
Grand Rapids, Mich.

Russell W. Bertsch, Pres.	Andrew Johnson
F. E. Stroup, Treas.	Ira Blossom
Ganson Taggart	Bert Owen
	Irving H. Stroup

EQUITABLE LOAN ASSOCIATION  
Minneapolis, Minn.

T. B. Janney, Pres.	J. R. Van Derlip
N. F. Hawley	W. G. Hudson
S. W. Wells	F. W. Clifford
L. E. Wakefield	G. H. Rogers
C. M. Case	R. C. Glidden, Manager

PEOPLE'S PROVIDENT ASSOCIATION  
Louisville, Ky.

Theo. Ahrens, Pres.	Caldwell Norton
Jno. W. Barr, Jr.	V. B. Smith
I. W. Bernheim	Chas. C. Stoll
H. Bachmann, Jr.	C. E. Reed
R. F. Vaughan	Jno. J. McHenry
	R. M. Rutherford, Manager

REMEDIAL PROVIDENT LOAN ASSOCIATION  
Paterson, N. J.

John W. Ferguson, Pres.	Rev. Anthony H. Stein
August A. Fischer	William Hand
Dr. Joseph H. Kenna	James W. Cooke
Oscar J. Hulser	Charles M. King
	Francis X. Meegan, Manager

**WELFARE LOAN AGENCY  
Kansas City, Mo.**

William Volker, Pres.

M. M. Power, Supt.

**PROVIDENT LOAN SOCIETY  
Seattle, Wash.**

H. C. Henry, Pres.

**PEOPLE'S LOAN COMPANY  
Portland, Me.**

F. E. Boothby, Pres.  
C. A. McCarty, Treas.  
Wm. J. Harvey  
Francis W. Cunningham

Wm. T. Cousens  
Vernon F. West  
William H. Looney  
Silas B. Adams  
Herbert Payson

**CHATTEL LOAN SOCIETY OF NEW YORK  
New York, N. Y.**

Johnston de Forest, Pres.  
Robert W. de Forest  
Mortimer L. Schiff  
Finley J. Shepard  
George S. Brewster  
Paul D. Cravath  
Dave Hennen Morris  
Harald A. Lange

Andrian Van Sinderen  
Edwin G. Merrill  
John M. Glenn  
George D. Pratt  
Frank Tucker  
Harold T. White  
Henry Ruhlander  
Geo. H. Loh, Gen. Mgr.

**PROVIDENT LOAN SOCIETY  
St. Paul, Minn.**

C. J. McConvile, Pres.  
Wm. S. McCurdy  
Louis Betz  
Ambrose Tighe

Gebhard Bohn  
L. S. Cushing  
W. B. Geery  
Charles L. Spencer  
D. S. Coffey, Manager

**UTICA PROVIDENT LOAN ASSOCIATION  
Utica, N. Y.**

George S. Dana, Pres.  
Thomas R. Proctor  
Isaac N. Maynard  
Merwin K. Hart  
Nellis M. Crouse

Charles A. Miller  
Reginald E. Crouse  
Sherwood S. Curran  
Francis K. Kernan  
Geo. E. Upson, Manager

PROVIDENT LOAN ASSOCIATION  
Sioux City, Ia.

A. L. Whitmer, Pres.	J. A. Magoun
W. P. Manley	H. P. Guiney
G. F. Whitmer	F. A. McCornack
M. E. Bluitt	E. M. Badgerow
	H. L. Houghton

INDIANAPOLIS PUBLIC WELFARE LOAN ASSOCIATION  
Indianapolis, Ind.

G. A. Efroymson, Pres.	S. B. Kaufman
Ralph Bamberger	Wm. J. Mooney
James A. Collins	Franklin Vonnegut
Rev. Francis H. Gavisk	E. T. Lewis
Chas. W. Fairbanks	C. R. Jones, Manager

SAN FRANCISCO REMEDIAL LOAN ASSOCIATION  
San Francisco, Cal.

Selah Chamberlain, Pres.	I. W. Hellman, Jr.
Frank B. Anderson	Jesse W. Lilienthal
W. B. Bourn	John McKee
Mrs. Francis Carolan	James K. Moffitt
J. Cheever Cowdin	Mrs. Henry Payot
Wm. H. Crocker	M. H. Robbins
F. Dohrmann, Jr.	B. F. Schlesinger
John S. Drum	Henry Sinsheimer
Mort. Fleishhacker	Mrs. Louis Sloss
D. Ghirardelli	Albert C. Auger, Manager

PROVIDENT LOAN SOCIETY  
Rochester, N. Y.

Harper Sibley, Pres.	Joseph Michaels
Geo. J. Keyes	Wm. C. Barry
O'Donnell Iselin	John F. Forbes
Geo. S. Van Schaick	Frank Keough
Isaac Adler	Percy R. McPhail
Harvey E. Cory	Kingman Nott Robins
Edward Harris	Robert C. Shumway
Jesse W. Lindsay	F. A. Phillips, Manager

REMEDIAL LOAN SOCIETY  
Buffalo, N. Y.

Ansley Wilcox, Pres.	Langdon Albright
John H. Lascelles	Chauncey J. Hamlin
Frederick C. Gratwick	Howard Bissell
Roderick Potter	Charles M. Ramsdell
John H. Baker	Chas. H. Brown, Jr., Gen. Mgr.

**ONONDAGA PROVIDENT LOAN ASSOCIATION  
Syracuse, N. Y.**

F. R. Hazard, Pres.*	Robert Dey
T. W. Meachem	T. F. Anderson
Stewart F. Hancock	Leonard A. Saxer
Chester H. King	Joseph W. Dawson
Grant D. Green	Charles A. Hudson
C. L. Amos	Henry W. Jordan
Thomas Hooker	Morton D. Whitford
John A. Matthews	Erasmus Pellenz, Manager

**DULUTH REMEDIAL LOAN ASSOCIATION  
Duluth, Minn.**

Townsend W. Hoopes, Pres.	Oliver S. Anderson
F. W. Paine	C. F. Graff
Geo. W. Buck	Harry A. Berg, Manager

**FIRST STATE INDUSTRIAL WAGE LOAN SOCIETY  
Chicago, Ill.**

Marvin B. Pool, Pres.	Henry Beneke
William H. Rehm	Louis Mohr
D. F. Kelly	Howard G. Hetzler
Gustave F. Fischer	Harry J. Powers
W. Rufus Abbott	Arthur E. Hill, Manager

**PORLAND REMEDIAL LOAN ASSOCIATION  
Portland, Ore.**

Ben Selling, Pres.	Ira F. Powers
Wm. D. Wheelwright	Jonah D. Wise
A. H. Devers	Wm. F. Woodward
J. F. Daly	Wilfrid P. Jones
Robert H. Strong	C. Myers Herrman, Manager

**PROVIDENT LOAN SOCIETY  
Dallas, Tex.**

J. K. Hexter, Pres.	H. D. Lindsley
H. C. Coke	Simon Linz
J. Howard Ardrey	M. H. Wolfe
Chas. H. Platter	R. E. L. Saner
Dean H. T. Moore	C. W. Rowan
George W. Riddle	C. W. Hobson
Royal A. Ferris	M. J. Orleans
J. T. Howard	A. T. Lloyd
Alexander Sanger	Nathan Halpern, Manager

\* Deceased

**REMEDIAL LOAN COMPANY OF PHILADELPHIA**  
**Philadelphia, Pa.**

Theodore J. Lewis, Pres.	T. Henry Walnut
John T. Emlen	Layout B. Register
E. Lewis Burnham	Roy Smith Wallace
Arthur Peck	Asa S. Wing
Alfred V. Souder, Manager	

**LYNN REMEDIAL LOAN SOCIETY**  
**Lynn, Mass.**

B. F. Spinney, Pres.	Henry N. Berry
Rev. E. J. Dennen	E. V. French
Guy Newhall	R. E. Harmon
Wm. M. Nye	Henry F. Tapley
Louis M. Winslow	Arthur J. Northrup, Manager

**PROVIDENT COLLATERAL LOAN CO.**  
**Dayton, O.**

W. D. Chamberlain, Pres.	Hugh E. Wall
F. A. Wagner	J. Elam Ortz
John C. Shea	E. B. Kern
Dr. D. Frank Garland	Samuel Blau
Mrs. Julia C. Carnell	H. A. Keeseker, Manager



## PROCEEDINGS OF THE NINTH ANNUAL CONVENTION

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The National Federation of Remedial Loan Associations was organized at Buffalo, N. Y., June 10, 1909, and is affiliated with the National Conference of Social Workers.

The ninth annual convention of the Federation was held at the Hotel Sinton, Cincinnati, Ohio, May 10, 11 and 12, 1917.

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### First Session, May 10, 1917, 10:00 a. m.

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The convention was called to order by the Chairman, Chas. H. Brown, Jr., with representatives of the following societies present:

Collateral Loan Co., Boston, Mass.  
Worcester Collateral Loan Association, Worcester, Mass.  
Citizens' Mortgage Loan Co., Cincinnati, O.  
Newark Provident Loan Association, Newark, N. J.  
Workingman's Collateral Loan Co., Cleveland, O.  
Provident Loan Society, Detroit, Mich.  
Chattel Loan Co., Grand Rapids, Mich.  
Equitable Loan Association, Minneapolis, Minn.  
People's Provident Association, Louisville, Ky.  
Chattel Loan Society, New York, N. Y.  
Provident Loan Association, Sioux City, Ia.  
Provident Loan Society, Rochester, N. Y.  
Remedial Loan Society, Buffalo, N. Y.  
Duluth Remedial Loan Association, Duluth, Minn.  
First State Industrial Wage Loan Society, Chicago, Ill.  
Remedial Loan Co., Philadelphia, Pa.  
Provident Collateral Loan Co., Dayton, O.

The convention was welcomed to Cincinnati by Mr. Hugh Cavanaugh, representing the Citizens' Mortgage Loan Co. In the absence of Mr. George E. Upson, Secretary, the Chairman appointed Mr. Alfred V. Souder Secretary *pro tem.*

It was voted to extend an invitation to Dr. Charles G. Mueller, Chairman of the American Association of Small Loan Brokers, to attend the day's sessions of the convention.

It was voted to accept the invitation of Mr. Rutherford, Manager of the People's Provident Association, to visit Louisville on Saturday, May 12th.

## REPORT OF THE CHAIRMAN

CHARLES H. BROWN, JR., Buffalo, N. Y.

The past year has been marked by a steady, consistent growth of the member societies, although no new members have come into the Federation. This condition is not difficult to understand when all the elements entering into the organization of a remedial loan society are taken into consideration.

In the first place, a remedial loan society, as we understand it, is not a purely commercial institution. Its stock cannot be sold to persons seeking only a return upon investments. Our constitution provides that "societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate." These restrictions are stringent, and properly so, for the essence of a remedial loan society is the desire on the part of its shareholders to avoid exploitation of the small borrower for excess profit. We will not countenance the employment of devices whereby the dividends appear to be limited but actually are capable of being increased—as, for instance, basing the rate of dividends on the combined capital and surplus. If such practices were resorted to, then a clever stock promoter could easily float a "remedial" loan society in any community. The only market for the stock of any of our societies is among persons who are content to devote a part of their means toward destroying an evil and with no expectation of receiving more than a nominal return upon their investment.

In the second place, our societies state frankly and honestly the rate of interest charged upon loans, and do not employ any device to conceal their actual charge. This adds to the difficulty of securing capital.

Let us assume that a person who is inclined to be of service to his fellowmen and is willing to support a small-loan institution without a desire for profit, is asked to subscribe to stock in a company which charges—and admits that it charges—24 per cent. per annum on its small loans. At the same time he is asked to subscribe in another company which, while loaning at practically the same cost as the other,

claims to charge 6 per cent. per annum and announces itself to be the panacea for the loan-shark evil. The first company tells the prospective investor that dividends on its capital stock are limited to 6 per cent. per annum. The second also states that dividends are limited to 6 per cent., but provides that its limitation of dividends shall be upon the book value rather than the par value of its stock, so that as the surplus increases the rate of return on the original investment is increased. The difference between the two methods is missed many times by the person whose subscription is solicited. On the face of things it would seem that a man would be doing a great public service in subscribing to the stock of the second company. He does not realize that his willingness to be limited to a nominal return on his investment is being exploited, so that he is actually assisting others less generously inclined to secure an ample return on their investment in the same enterprise. He thinks he is doing the best possible thing to help drive the loan shark out of his community. On the contrary, he is building up a company which does not compete effectively with the loan sharks, because it does not make small loans. He may at the same time be impeding the organization of a company which could effectually remedy the loan-shark evil by meeting the loan shark on his own ground, making the same kind of loans that the loan shark makes at a greatly reduced cost to the borrower.

Our Federation is distinctly limited in membership by the capital in our various cities which is willing to interest itself in a public-spirited movement to do a real service with the prospect of no more than a moderate financial return to investors. The great service that our Federation has done and can continue to do is in keeping alive the ideals which brought our societies into existence and which have succeeded beyond our expectations in making the small-loan business throughout the land a decent, honorable and respectable part of our economic life.

The most significant thing that has occurred in connection with the activities of the Federation during the past year is the meeting of the Executive Committee in New York last October in conference with the Executive Committee of the American Association of Small Loan Brokers. The latter Association is coming to occupy an important position in the small-loan business, and we have devoted a part of our program to a discussion of it. I hope that the discussion may bring out many interesting views as to the relations which should obtain between the American Association and our Federation. The

fact of first importance in this connection is that the American Association recognizes the value of the work which has been accomplished by our Federation in conjunction with the Russell Sage Foundation and has indicated a desire to cooperate with us in every way. Its attitude toward us is a mark of the importance which those engaged in the small-loan business attach to the splendid pioneer work of Mr. Ham and his associates. It ushers in a new era, and makes us realize more than before how eminently worth while our work has been.

A few years ago the great majority of persons engaged in the small-loan business in this country were regarded as sharks and parasites. Today we find this condition greatly changed, for a very substantial portion are now conforming strictly to the requirements of the law and banding together to prevent the existence of illegal agencies. While we do not lay claim to all of the credit for this remarkable change, we do feel that the existence of our Federation and its continued efforts to improve the small-loan business have been a considerable factor in bringing about the condition which we find today.

The number of member societies in our Federation is of comparatively small moment. The big thing for us to keep steadily in mind is that we are fulfilling our proper function by keeping together those societies in which there is no element of commercialism and which are conducting the business to the best of their knowledge in a manner worthy of the name they bear.

## REPORT OF THE SECRETARY-TREASURER

GEORGE E. UPSON, Utica, N. Y.

RECEIPTS	DISBURSEMENTS
Balance, June 26, 1916.....\$ 3.52	
Dues, 1916-1917..... 655.00	
	Printing programs for 1916 convention.....\$ 10.00
	Expense of Chairman, New York conference, prior to 1916 convention..... 27.75
	Postage, printing, and sta- tionery..... 19.75
	Services and expense of sten- ographer, Detroit Con- vention..... 67.83
	Publications..... 330.66
	Copyrights, Bulletin and Folder..... 2.06
	Expense of Chairman and Secretary-Treasurer, meet- ing of Executive Commit- tee, October 11-12, 1916.. 43.87
	Charities Directory Adver- tisement..... 2.00
	Chairman, petty cash..... 6.93
	Expense of Chairman and Secretary-Treasurer, New York Conference, April 10, 1917..... 49.07
	\$559.92
	Balance, May 7, 1917..... 98.60
\$658.52	\$658.52

### BILLS PAYABLE

Buffalo Commercial Printing House, 1917 Programs..... \$10.00

Audited and approved,

GEORGE H. LOH  
ARTHUR E. HILL

## THE YEAR'S PROGRESS

ARTHUR H. HAM, New York, N. Y.

The past year has been a most successful one in the movement to combat the loan-shark evil. In no previous year since the formation of the National Federation has so much interest been aroused in the problem and so many encouraging results obtained. A few years ago the loan-shark evil was little understood except by borrowers who had had personal experience with the high-rate money-lenders and by social workers, attorneys and prosecuting officials who had been called upon to straighten out borrowers' difficulties. As a result of the progress of the remedial loan movement the problem is now quite generally understood and appreciated. During the past year the gain in this respect has been marked.

Among the year's developments that which stands first in importance, perhaps, is the internal reform that has taken place within the ranks of the loan brokers and companies which are engaged in this business solely for profit. Last year associations of small-loan brokers were organized in several states for the announced purpose of raising the standards of the business. We were inclined at first to accept this announcement with some reservations and to feel that the real purpose might be mutual protection and combined opposition to the passage of regulative laws. The number of state associations has been increased during the past year to nine. They have now been formed in the states of California, Michigan, Iowa, Indiana, Ohio, Maryland, Pennsylvania, New Jersey, and Rhode Island. They are affiliated in a national body known as the American Association of Small Loan Brokers whose membership, inclusive of agencies which are members of state associations and those operating in unorganized territory, now totals about 325. The American Association has declared its intention to uplift and dignify the small-loan business by securing intelligent publicity as to the needs and opportunities of the business; by insisting that its own members observe the laws of the states in which they operate; by helping to secure the enactment of reasonable laws in all states and by forcing illegal money-lenders to discontinue their practice, either by means of moral suasion or prosecution. That the Association is attempting to live up to its excellent declaration of principles has been shown in many ways during the past year. It is

rapidly becoming an effective agency in combating the loan-shark evil.

#### MEMBERSHIP

The membership of the National Federation has not increased during the year. The Provident Loan Society of Omaha and the Provident Loan Society of Denver have been formed since the last convention. The former is apparently eligible for membership in the Federation and the latter may easily become so. Both were apparently formed for purposes which accord with the Federation's requirements and will doubtless soon apply for membership.

Though only two remedial loan societies have been organized during the year, a considerable number of companies have been formed to make small loans at reasonable rates. Though not eligible for membership in the Federation—through their failure to limit dividends—they will accomplish beneficial results in the communities in which they operate.

During the year the funds employed by members of the Federation amounted to over \$17,000,000. About 825,000 loans were made amounting to \$29,460,000. Losses incurred through uncollected chattel loans and loss on auction sale of pledges amounted to \$22,000 or less than  $\frac{1}{10}$  of 1 per cent. of the total amount loaned. Capital increases on the part of the member societies amounted to about \$280,000. Following is a statement of the operations of the members of the Federation during 1916-1917 as compared with the preceding year:

	1915-1916	1916-1917	Increase
Number of loans made.....	868,607	825,719	42,888*
Funds employed.....	\$16,391,996	\$17,001,370	\$609,374
Average loan balance.....	14,948,587	14,645,428	303,159*
Amount loaned.....	28,592,513	29,466,089	873,576
Amount repaid.....	28,144,890	29,757,169	1,612,279
Average am't of loans, pledge... chattels..	31 60	34 63	3 3
Net earnings.....	1,265,242	1,347,518	82,276
Expenses.....	752,394	800,536	48,142
Losses.....	24,648	22,187	2,461*

Five of the 35 societies make loans solely on pledges; 14 loan solely on chattels; 14 maintain both pledge and chattels departments; six loan on endorsed notes together with other security; four accept assignments of wages, and two include real estate mortgages in the

\* Decrease

securities accepted. Remedial loan societies are now operating in 30 cities and 19 states.

Pledge departments have been added during the year by the societies in Minneapolis, St. Paul, Sioux City, Rochester and Duluth.

The San Francisco society has constructed and is now occupying a new building of its own. The Provident Loan Society of New York has opened a new branch, making a total of 12. The Provident Loan Society of Seattle has opened a branch office. The Provident Loan Society of Rochester has taken larger quarters.

#### ANNUAL REPORTS

At the last convention of the Federation a special committee presented recommendations concerning annual reports. The committee recommended that the annual report of each society should contain: (a) A consolidated balance sheet for the current year; (b) a comparative income or profit and loss account for current and previous years; (c) a condensed cash account for the current year; (d) a comparative statement of operations during the years the society has been in operation, containing substantially the same information as is now published in the statistical folder of the Federation; (e) a statement of the number of loans made during the current year, according to amounts.

During the year 22 annual reports have been received—20 printed and two typewritten. Fifteen of the reports followed the Committee's suggestions fully or in part, six of them showing improvement over former years. The other seven reports ignored the Committee's recommendations.

I can only repeat what I said last year; *i. e.*, that I urgently request every society to get out a printed report annually; that it be made to conform to the Committee's recommendations and that I receive a copy of each report. A report which contains only an account of receipts and disbursements or of assets and liabilities does not present a picture of the standing of the society or the work done, and is of little value. The Committee sought to encourage the uniform presentation of all essential information and there seems to be no good reason why its recommendations should not be followed by all societies.

#### THE MORRIS PLAN

The development of the Morris plan continues steadily. There are now some 75 companies in operation, 59 of which were in existence

on January 1, 1917. During 1916 these 59 companies made 104,084 loans amounting to \$14,096,627.

In some respects the development of the Morris Plan is of assistance in the campaign to combat the loan-shark evil. In its publicity, which has been considerable, it has emphasized the need for a remedy for the loan-shark evil, and that in itself is a helpful step toward a remedy. It is attracting the interest of certain men whose participation helps to dignify the small-loan business, which has long suffered because of its disrepute. It enables people who are willing and able to secure two satisfactory co-makers to obtain loans of \$50 and upward at a reasonable cost. It requires borrowers to repay their loans in regular instalments, thus encouraging habits of thrift. A noticeable improvement has taken place in the publicity and advertising of some of the Morris companies in connection with their statements to the public of the cost of loans under the plan, terms of repayment and security required. The fact remains, however, that in the majority of instances the Morris plan companies have not correctly stated the cost of loans under the plan. They have permitted the public to misunderstand their methods, the kind of security required for loans, and the extent to which they offer competition to the loan sharks. As a result they have attracted the interest and support of men who are really desirous of curbing the loan-shark evil and who might otherwise have interested themselves in some more effective plan of competition. It is to be hoped that such men will see to it that the objectionable features of the plan are eliminated in the near future, that its development may rest solely upon its meritorious features, and that it may be so revised as to become a more useful factor in the movement to combat the loan-shark evil.

#### CREDIT UNIONS

Increased interest is being shown in credit unions as a means of encouraging savings and of making loans at reasonable rates. This form of cooperative banking has as yet secured a real footing in the states of New York and Massachusetts only, though substantial progress has been made in the formation of rural credit unions in North Carolina. With the exception of the latter group and several credit unions among Jewish farmers in New York and Massachusetts the majority of the credit unions have been formed in the large industrial and commercial organizations. In New York they have recently been formed among the employes of the city of New York,

the Public Service Commission, the Equitable Life Assurance Society, the New York and Mutual Life Insurance companies and many other corporations—making 39 in all. In Massachusetts 52 are in operation. The impetus that has already been given will doubtless gain headway during the coming year. The amount of saving and borrowing that is being done by members is considerable, and this form of self-help is becoming an increasingly important factor in the development of adequate thrift and loaning facilities.

#### LEGISLATION

The constitutionality of the small-loan law enacted in the State of Ohio in 1915 was upheld on March 27, 1917, by the Supreme Court of that state in a decision affirming the judgment of the Hamilton County Court. The Pennsylvania law of 1915 is being tested in a friendly suit brought in the Philadelphia Municipal Court. In an excellent opinion Judge Crane of the Municipal Court held the law to be constitutional. His opinion was followed by Judge Staake of the Quarter Sessions Court in a subsequent criminal case. An appeal was taken and the case is expected to be decided shortly in the Superior Court.\*

#### UNIFORM BILL

This has been a full legislative year. Regular sessions of the legislatures of 42 states have been held. In 17 states bills affecting the conduct of the small-loan business were introduced. In California, Indiana, Illinois, New Hampshire and Maine bills were introduced which were based upon the uniform draft of small-loan law approved by the Division of Remedial Loans of Russell Sage Foundation and the American Association of Small Loan Brokers. This bill places all lenders of \$300 or less under the control of the state officer in charge of bank examinations, permits an interest charge of  $3\frac{1}{2}$  per cent. per month computed on unpaid balances, prohibits the charging of additional fees or bonuses except fees actually paid out for recording mortgages, and provides adequate penalties for violations of law. In all important respects it conforms to the outline of a model loan law drawn up by the legislative committee of the National Federation and adopted by the Federation.

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\* Judge Crane's decision was sustained by Superior Court on July 13, 1917.

In California, through the support of the San Francisco Remedial Loan Association and the California Association of Small Loan Brokers, the bill passed the Senate but failed in the Assembly. It received a majority of the votes of those present, but nine less than the number necessary for passage.

In Indiana the bill was approved by the Indianapolis Public Welfare Loan Association, the *Indianapolis News*, and the Indiana Association of Small Loan Brokers. It passed the legislature and became a law on March 9, 1917. A special assistant to the Auditor of State has been appointed to administer the act.

In Maine the uniform bill was introduced with the approval of the Associated Charities of Portland and the People's Loan Co.—the remedial loan society operating in that city. Though opposed by money-lenders and unfavorably reported by the Joint Legislative Committee to which it was referred, the bill finally passed and became a law on April 6, 1917.

In Illinois the uniform bill was generally supported by social and civic organizations in Chicago, including the First State Industrial Wage Loan Society, and was determinedly opposed by the loan sharks. Several public hearings were held by both the Senate and House Committees and at this time the bill is on the order of third reading in both houses and is expected to become a law.\* Excellent support was given the bill by the Chairman of the Legislative Committee of the American Association of Small Loan Brokers.

In New Hampshire the uniform bill was amended so as to allow fees in addition to interest at 3 per cent. per month. In that form it became a law.

#### OTHER BILLS

In Colorado a very unsatisfactory bill which limits interest to 12 per cent. per annum became a law. The newspapers of Denver urged its passage and applauded the Governor when he signed it. So much evidence was placed before the Governor, however, showing how impractical and harmful the law would be, that it is difficult to understand how he could have signed it in the belief that it would improve small-loan conditions.

Several bills were introduced in the Kansas legislature, one of which limited interest on loans to 2 per cent. per month. Apparently no substantial progress toward its passage has been made.

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\* This bill became a law on June 14, and is effective July 1, 1917.

In Massachusetts five bills affecting the small-loan business were introduced. The present law of Massachusetts is working satisfactorily and none of the amending bills deserved passage. A determined effort was made by the money-lenders to raise the legal rate of interest from 3 per cent. to 5 per cent. per month, but this and all the other loan bills introduced failed.

In Minnesota a bill modeled upon the present law of Michigan was introduced but did not pass.

In Ohio a law was passed taking the small-loan agencies in that state out of the control of the Superintendent of Banks and placing them under a Commissioner of Securities.

In Utah a bill was introduced permitting an interest charge of 3 per cent. a month, without fees, to lenders supervised by the Bank Commissioner. The bill follows closely the New Jersey law of 1914. Information is lacking as to its present status in the legislature.\*

In Pennsylvania a bill was introduced which sought to reduce the interest allowed on small loans from 3 per cent. per month, as permitted by the present law, to  $1\frac{1}{2}$  per cent. per month. This objectionable bill has apparently made no progress.†

#### MORRIS PLAN LEGISLATION

Special bills designed to legalize the methods employed by the Morris plan companies or to expand the powers already granted to them by law were introduced in the States of New Jersey, New York, Ohio, Pennsylvania, Massachusetts, Maine, Michigan and Wisconsin. These bills became law in New York, Ohio and Maine. They were defeated in New Jersey, Massachusetts and Wisconsin. In Michigan the law, after apparently being defeated in the Senate was resurrected and passed and is now before the Governor.\* In Pennsylvania the bill is still under consideration.† Amendments were secured exempting Morris Plan companies from the small-loan laws enacted in Maine and Indiana. The general objection to this kind of legislation is that it is permissive and not regulative. It makes for an erroneous conception of the kind of legislation that is essential. It breaks down safeguards set up for the protection of borrowers and opens the door to a return of loan-shark rates and methods under legal protection.

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\* Became a law.

† Failed to pass.

### MISCELLANEOUS DEVELOPMENTS

One of the important developments of the year was the publication of the report of a survey of loan-shark conditions in Chicago made by Dr. Eubank of the University of Chicago under the direction of the Chicago Department of Public Welfare. The purpose of the survey was to ascertain and present the facts concerning the extent and character of the money-lending business in Chicago; to suggest ways and means of eliminating extortionate practices and to suggest methods of meeting the demand for small loans by means of legitimate substitutes for the loan shark. The survey brought to light the existence of 229 separate loan concerns in Chicago, against 200 of which over 3,000 cases of extortion were obtained. Interest rates were found to approximate 120 per cent. per annum, and an average annual business of about \$11,000,000 was being done. As a result of this investigation the Department of Public Welfare recommended that remedial loan societies, which loan on chattel mortgages and personal character, be organized, and that laws be enacted placing all money-lenders under the supervision of state authority, limiting interest to 3 per cent. per month without fees, providing penalties for violation, etc. A development of the survey was the appointment of a Remedial Loan Legislation Committee which subsequently modified the recommendation of the survey report by advocating the passage of the uniform bill, which permits a charge of  $3\frac{1}{2}$  per cent. per month.\*

The progress of the movement to combat the loan-shark evil is not to be measured by the growth in the membership of the National Federation. The effective method must include publicity, legislation, enforcement and competition as afforded not only by remedial loan societies but by reputable business and cooperative agencies as well. Viewing the movement as a whole, progress attained during the past year exceeds that of any previous year and we have reason to feel that we are nearing the time when we can say that the greatest evils of the loan-shark business which have been the object of condemnation and attack for many years are in a fair way to be eliminated.

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\* Became a law on June 14, 1917.

**Second Session, May 10, 1917, 2:00 p. m.**

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## THE AMERICAN ASSOCIATION OF SMALL LOAN BROKERS

DR. C. G. MUELLER, National Chairman, Philadelphia, Pa.

It is with pleasure that I respond to the invitation extended by the National Federation to have a representative of the American Association of Small Loan Brokers present at this session, as the American Association has done in respect to the National Federation. I am glad of the opportunity to tell you of the principles, activities and policies of our Association.

The history of our organization, while brief, has been marked with many successes. It was organized April 18, 1916, in Philadelphia, and was composed of but four state associations in New Jersey, Pennsylvania, Ohio and Maryland, with only one member in unorganized territory. By unorganized territory is meant states with or without regulative small-loan laws and without state associations. The American Association has recognized the importance of developing interest among loan brokers who were without adequate laws, to the end that they might be receptive to the march of progress and assist in the passage of adequate loan legislation. This has been no easy task, for the high-rate lender has always used his energy, ability and purse in opposition to the enactment of any legislation which circumscribed his activities. From the nucleus of four state associations emerged the American Association, which in one short year has not only had a surprising numerical growth, but has accomplished much good and come to be respected by all who understand it. In spite of what has been accomplished we realize that its work has only begun.

In the American Association there are now affiliated state associations in Rhode Island, New Jersey, Pennsylvania, Maryland, Ohio, Indiana, Michigan, Iowa and California. Efforts are being made to form associations in other states which have modern small-loan laws, such as Maine and New York.

It is the policy of the American Association not to permit any state association to become affiliated with it even if it is formed under the direction and guidance of the national body, unless the business is

regulated in that state by a law under which the brokers may realize a fair return on their capital and still observe the law both in letter and spirit.

You are aware, no doubt, that previously a number of loose organizations existed among the loan brokers for the purpose of defeating adverse legislation. We believe that the corrupt methods used by such associations in respect to legislation should be discouraged and that there is now no place in the business for such organizations.

The unit of the American Association is the state association even though there are individual members in unorganized territory. Each state association applying for membership in the national body is carefully looked into with a view to seeing that its officers, membership and principles are in harmony with those of the American Association. We want no troublesome and compromising members at a time when we especially feel the need of straight thinking and firm action. One of our greatest troubles is the lack of modern legislation in some states. The American Association and the National Federation should work in harmony, to the end that practical, constructive laws may be enacted in all states.

The object and purpose of the American Association is shown by the following extract from its constitution:

#### Sec. 2, Article I:

Objects. The objects of the American Association shall be to promote the welfare of all members of the Association; to protect the borrowing public against extortionate charges in procuring salary, chattel and other small loans; to cooperate with all small-loan brokers in the proper conduct of the small-loan business. The policy of the Association shall be cooperation with the state associations in respect to conducting the small-loan business on a fair and dignified basis, securing laws and judicial interpretations thereof that are fair and practicable, when called upon to do so; the mutual interchange of ideas and experiences that will tend to standardize the business and practices of loan brokers in dealing with the public, providing a strong national body that will enlist the services of the best men engaged in the business; providing occasions for pleasant and profitable social and business intercourse in relation to the common interests, and educating the public to freer use of the services and facilities which legitimately conducted small-loan brokers afford in an excellent manner.

The motive which prompted the foregoing is reflected in the Association's declaration of principles, as follows:

*Resolved*, That the American Association desires to uplift and dignify the small-loan business and assist state organizations in securing legislation fixing terms fair to the borrower and rates that will yield a fair return to the lender, considering amount of loans and risk of the principal, so that the lender will obtain a fair return on the capital invested.

*Resolved further*, That the national body will assist by publicity in educating the public to the service rendered by small-loan brokers in this necessary business.

That the American and state associations have successfully carried these ideas into actual practice cannot be questioned.

Shortly after the passage of the New Jersey law of 1914 the state association promptly brought to terms a persistent violator thereof by securing a revocation of his license.

In Ohio the state association has been equally effective in having violators brought before the bar of justice and, by the legitimate and liberal use of its ability, influence and treasury, in defending the constitutionality of the Lloyd Act of 1915.

In Pennsylvania the state association has likewise combated all those who have engaged or attempted to engage unlawfully in the business of loaning money. It is also at this time endeavoring to sustain the constitutionality of the Cox Act of 1915 under which each of its members is licensed, bonded and supervised. Pending the outcome of this case and as evidence of its good intentions, the association has adopted a resolution which provides in substance that in case the present law shall be invalidated by the Superior Court, the members of the association will regulate their fees, interest and charges so as not to exceed those provided for in the present law and will not permit any lender to employ rates or practices that will tend to bring into disrepute the small-loan business within the Commonwealth of Pennsylvania.

In policing the business the American Association is cooperating with state banking departments and other officials, while the state associations are employing able counsel to assist the prosecuting attorneys to uphold the laws. In policing the business best results have come, without publicity or testing the law, through a plan of appointing committees to wait upon offending persons and explain to them the law and consequences of violation. When a complaint is made to a state official and prosecution is started, the offending party, through his lawyer, invariably attacks the constitutionality of the law on tech-

nical grounds, and unfortunately the prosecuting officials do not always have sufficient knowledge to enable them to defend the laws successfully. So far it has not been necessary for us to start criminal prosecution, which we consider the last step.

In the past the advertisements of small-loan brokers in many cities have been quite objectionable. The state associations have taken this in hand and in many cases the advertising of their members is now upon a higher plane than that of department stores and other mercantile concerns. The wording is so censored as to free it from misrepresentation. There is now a strong tendency among brokers not to encourage borrowers to make unnecessary loans or become overburdened. Sentiment is setting against "doubling up"—one of the greatest evils of the business in the past because it resulted ultimately in the demoralization of the borrower. The incentive for the practice grew out of laws which allowed a graded fee on loans in addition to interest; *i. e.*, the largest fee relatively was allowed on the smallest loan. There was a tendency to keep loans down to the minimum and thus the fee system was abused. But the members of the American Association do not resort to such practice. In Pennsylvania, Ohio, Michigan, Maryland, etc., where fees are permissible every four months, the general rule is to charge them not more frequently than once every eight, ten or twelve months, showing that the brokers are capable of self-restraint, are looking for a permanent improvement in the loan business and are considering the interests of the borrowing public. This is possible when laws are passed which give some consideration to the interests of lenders as well as borrowers.

A great improvement has come from the adoption of uniform papers. Formerly, each loan broker used papers differing from those of every other broker. There was no way to obtain uniformity because there was no organization to declare a certain form to be standard. An examination of these papers by special committees of state associations showed that all contained both good and bad points. The result has been that a number of state associations have adopted standard forms of application, note, salary assignment, chattel mortgage, receipt book, etc. The result has been even more satisfactory than was expected. The borrowers now recognize that they are signing standard forms, and explanations in each case are not now required. Formerly the papers used by some brokers were of little legal value. The advantages, legal and practical, of uniformity in matters of this sort have been easily and effectively demonstrated.

The American Association seeks to standardize, dignify and police the small-loan business and thus eliminate the causes of complaint and adverse publicity which have so demoralized the business in the past. We are as much opposed to loan sharks or unfair and oppressive money-lenders as is the National Federation. Deeds, and not words alone, will prove this statement.

Some state associations have undertaken educational advertising in order to show the public, without reference to any particular broker, that borrowers may now obtain small loans for proper purposes, repayable in convenient monthly instalments and at reasonable rates; that the business is authorized by law under strict supervision, and is decently and fairly conducted. The result of this work has been good. It has given the public a better idea of the small-loan business and has helped to kill the impression that small loans can be obtained only by applying to unlawful and greedy lenders.

Formerly, because of the "doubling up" evil, brokers hesitated to exchange credit information. I regret to say that in many cases they gave information which was not true and did not hesitate to deceive, if by so doing they could obtain a repayment of their own loans. This sort of thing is not practiced by any member of any affiliated state association, because a higher standard has been set and maintained and golden rule practices have come out of the fraternity and mutuality of interest and purpose developed by the state associations. The development of fraternal feeling among members is having a distinctly beneficial effect in many ways and we should like to see it further developed between members of the American Association and the National Federation. Some of your members are now members also of our affiliated state associations.

Last autumn a conference between the Executive Committee of the National Federation and the National Council of the American Association was held in New York. It was honored by the presence of Mr. Frank Tucker, Vice-President of the Provident Loan Society of New York, in whom all loan managers recognize a man of great ability and strong principles and the acknowledged pioneer and leader in the movement to improve the small-loan business. It was gratifying also to note the interest in our organization and the desire to cooperate in formulating practical, progressive legislation which led other members of the Executive Committee of the National Federation to come great distances to attend the conference. We recognize that this helpful conference and other satisfactory developments along this

line were in part made possible by the activities of Mr. Ham of the Russell Sage Foundation, whose ideas concerning legislation seem to be in harmony with our own. He has maintained a sympathetic attitude toward us, approved our aims and purposes and cooperated with us as well as with your organization in an endeavor to raise the plane of the business in which we are engaged.

In conclusion let me bring to your attention the resolution of your Executive Committee permitting your members to join state associations which are affiliated with the American Association. Some of your members have already done this and can tell you of the resulting advantages. I hope that wherever we have state associations your members will apply for membership and thus cooperate with the small loan brokers in their effort to dignify, standardize and police the small-loan business in the interests of the borrowing public and of fair and decent money-lenders. There is no reason why we should not work together and I hope that your members will consider it a duty as well as a privilege to do so. The American Association recognizes the merit of the National Federation and asks a like recognition on its part. Together we can accomplish results which cannot be secured alone. Though our members are commercial in character and yours are semi-philanthropic, there is no reason why we should not work harmoniously and cooperatively, for we seek a common end—a proper understanding of the business by the public and its general transformation into an honorable business conducted along fair and proper lines. That the dealings of the American Association's members are satisfactory to the public is shown by their increasing business. Further increase and improvement will come when new and proper laws are passed by all the more populous states. We ask your cooperation in securing such legislation.

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In the course of the discussion of Dr. Mueller's paper, Messrs. Ryan and Souder spoke of the value to them of their membership in the American Association.

## THE EFFECT OF THE WAR ON REMEDIAL LOAN SOCIETIES

CHARLES F. BIGELOW, Providence, R. I.\*

The present great war, which has been gradually entangling one nation after another until now it has become practically world-wide, has presented so many new features, has opened up so many possibilities and has closed so many previously accepted avenues of thought that even the most astute and reasoning minds have been at complete variance in trying to estimate its present and future effects on the social, political, and business life of the nation. Hardly has some theory been formulated about the significance and probable consequences of this war than new facts and astounding developments, following one upon the heels of another, have changed the features and boundaries of the field of vision and thrown the theory back upon itself.

That the war is affecting and will continue to affect the small-loan business, as it has affected and will affect all other business, is undoubtedly true, but an interpretation of the ever-changing conditions is as difficult in this restricted field as it is in the larger one of the world's ethical and material processes. Tendencies which seemed well-defined have many times been offset partially or wholly by other tendencies, and the result has not always been clearly indicated or understood. For instance, looking only at the broader elements of the question, one strongly marked feature in our industrial life of the past two years has been the more general employment of wage-earners and the higher compensation of labor as compared with the conditions existing during the years immediately preceding. On the other hand we find that the cost of living has increased so rapidly and appallingly that many incomes, even when prudently managed, are barely sufficient for the common needs of life. Applying the obvious principles of cause and effect we should expect from the former condition a reduction, and from the latter an increase, in the demand for loans; but the situation is further complicated by the fact that the standard of living has also been gradually rising and keeping close pace with the increase in earnings. Which, then, of these influences is the strongest, and which will be the most abiding, is a question which

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\* In the absence of Mr. Bigelow his paper was read by the Secretary.

the present does not clearly answer, and which the future will answer only after time has thrown the conflicting elements into proper perspective.

In a manufacturing community, such as Providence, where the first effect of the war was felt in the increased production of many of the essentials needed by the Allied countries and in the consequent fuller employment of labor, the result was reflected in an appreciable, though not strongly marked, falling off in applications for loans which continued quite consistently for a period of two years and until other influences, which already existed, and to which I have alluded, began to manifest themselves more clearly. This period was marked by largely increased repayments on loans and the payment of many obligations before their ordinary maturity, indicating prosperous conditions among the working people. Requests for extensions became less frequent, except from chronic delinquents, and there was a considerable reduction in the number of notices required in the course of collecting overdue payments. Removals from one city or town to another within or without the state became somewhat more frequent as workmen, seeking higher wages, followed the wide-spread demand for their services. During this time, also, it was possible to note some change in the character of the applications, a larger proportion seeming to come from habitual and improvident borrowers and a lesser number from those whose exigencies were temporary and more justifiable.

Since the beginning of the present year, however, it has become increasingly apparent that a change is being effected in the balance of living conditions. The number of applications for loans has been gradually increasing, and many former borrowers of good standing have returned to the Association for help in meeting new and pressing obligations—evidence which shows that full employment and good wages are not the only, and possibly not the most important, factors which operate to increase or decrease the business of small-loan companies. How far the present influences will extend or how long they will last is problematical. In fact, many of the tendencies of which I have spoken have been inconstant and uncertain, and the varying results from time to time have shown that there were ever-present cross-currents diverting the trend which would have resulted from an impulse which was unmodified and unrestricted. Some of the effects mentioned may perhaps have been brought about by local conditions but most of them have been observed and felt, no doubt, by loan associations in other communities.

In respect to the future, I dare not venture to guess. War causes the unsettlement of ideas, disrupts normal systems of living and brings general unrest and insecurity. It may well be that such conditions will have serious consequences for our loan companies, but if the exigencies of the times bring to our beloved country a fuller realization of the necessity of just economy, of careful conservation of resources and of proper self-control, the lesson which we will learn will be the one great and priceless benefit derived from a war which has otherwise been terrible and destructive.

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Following a discussion of Mr. Bigelow's paper the following resolution was adopted:

*Resolved*, That the National Federation of Remedial Loan Associations suggests to its members that in the case of loans made to men who are drafted or enlist in the Federal Military or Naval Service and whose families are inadequately provided for, the regular interest rate shall be discontinued and the loan be put on an interest basis of 6 per cent. per annum, and the collection of principal and interest be deferred until such time as conditions in each case become normal and payments can be resumed.

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## THE ILLINOIS SMALL LOAN BILL

A. E. HILL, Chicago, Ill.

Illinois has at last realized the necessity of legalizing the small-loan business. The people of that state have come to the conclusion, as have the people in other states, that the small-loan business is a permanent business, filling a need in the community; that it cannot be driven out by newspaper publicity or threats of large employers of labor, but that it must be regulated by proper legislation. Such legislation is sought in Illinois by a new bill which provides for the licensing of money-lenders by the State Auditor of Public Accounts. Licensed lenders may charge interest on loans not exceeding \$200 at a rate not exceeding 3½ per cent. per month. Licensees are to be audited and examined regularly by the Auditor, and the interests of borrowers are protected by numerous safeguards. Violations of the bill are punishable by fine and imprisonment.

There are estimated to be over 200 illegal money-lenders or "loan sharks" in Chicago, and in the entire state at least 100 more. The amount of loans made at usurious rates is estimated to be at least \$6,000,000 annually. It is at once apparent why plenty of money is available to oppose any legislation that seeks to regulate this business.

For the past ten years various social organizations have endeavored to secure the passage of small-loan laws, but not until 1913 was any success attained. The one reason why the 1913 law did not meet the same fate as all earlier bills was because it is a special law which applies only to certain societies and does not penalize or disturb the illegal money-lender. The law merely permits the organization of societies to loan money at 3 per cent. per month on security of wage assignments, with a limitation of 6 per cent. per annum upon their dividends. Our society is the only one operating under that law.

The loan sharks of Illinois are no different from those in other states. They do not care how many laws are passed or what rate of interest is fixed as long as there are attached no penalties for violation of those laws; and, of course, such a law without a penalty section is useless, for it will be violated as soon as passed.

This year there has been a concerted effort by many good citizens, not only representatives of social organizations but large business men of Chicago, to have a bill passed which would make the money-lender accept a reasonable rate of interest for his money or be subject to a heavy fine and imprisonment. I can assure you that never before has there been so desperate an attempt made by loan sharks to kill a bill. In Chicago they are well organized and well supplied with money, and all possible influence and money have been used to defeat the bill. The legislature has been flooded with literature giving the impression that it is being sent by reformers and stating that an annual interest rate of 42 per cent. is exorbitant and that 1 per cent. or 2 per cent. per month, at the most, should be the legal limit. By this method the loan sharks are hoping to make it necessary for the sponsors of this bill to fight the passage of an amendment authorizing an unreasonably low rate and thereby prevent the passage of any legislation whatever, which will give them two years more to rob the public. The loan shark's influence has not only been felt in this literature but you would be astonished to see the supposedly honorable members of the House and Senate who have played the loan-shark's game by endeavoring to defeat this bill by any means, fair or otherwise. On Thursday,

May 3d, when the bill was on the order of third reading Representative Holladay, the leader of the opponents of the bill, said, "This bill was drafted and sent to us by a loan shark from New York by the name of Ham," and "You have not seen a newspaper article in favor of this bill." He made this statement in the face of the fact that the Industrial Club of Chicago sent each member of the House a circular quoting editorials from three leading Chicago papers advocating the passage of the bill. Highly paid lawyers have been sent to Springfield to convince the legislative body that the  $3\frac{1}{2}$  per cent. rate is too low and that the "poor loan man" is being abused. It simply demonstrates the power of money. Federal Judge Landis, in a talk before the Executives Club at Chicago on Friday, May 4th, is reported to have said that "corrupt influences at work in the legislature at Springfield are responsible for the defeat of the bill limiting the rate of interest to be charged by loan agents in Illinois to  $3\frac{1}{2}$  per cent."

But arrayed against this opposition and asking that this bill be made a law are such men as Mr. Ham of the Russell Sage Foundation whom you all know; Mr. Abbott, the President of the Industrial Club of Chicago, who employs 12,000 men; Mr. Pool, the President of our Society; Mr. Rehm, our Vice-President, and several other well-known persons whose motives cannot be questioned. After the visit of these gentlemen to the State Capitol the feeling of the Senate changed greatly in favor of the bill. One of the most important influences in favor of the bill was a letter from Federal Judge Landis which stated in substance that the bill should be passed because of the penalty attached, and that while 42 per cent. interest per annum might seem high to the legislators his experience had been that loan sharks now collect interest at from 200 per cent. to 900 per cent. per annum.

The bill has passed second reading in the House. On May 3d it was brought up for third reading and although it failed to have a sufficient number of votes to carry, its sponsors were able to have it reconsidered and there is still hope of passing it. If it passes it will then be sent to the Senate where we have already made many friends for it and we can then hope soon to have a reasonable and practical loan law in Illinois.\*

Last year the Chicago Department of Public Welfare made an exhaustive study of the loan business in Chicago. Its report includes 96 pages of finely printed matter and deals with the subject very ably.

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\* Became a law June 14, 1917.

The Department spent months gathering data concerning all loan companies. Their representative spent several weeks in our office gathering material from our books relative to the rates charged by the different companies. The report states that there are 263 loan sharks in Chicago loaning approximately \$11,000,000 a year. I believe that figure is too high and that between \$6,000,000 and \$8,000,000 is nearer the correct figure.

Now, just a word in regard to our society, which, I believe, is the only society in the Federation loaning exclusively on wage assignments. Last year at Detroit a paper was read stating that it was impossible to loan money on wages at 3 per cent. per month and make a profit. We have proven the contrary. From the start of this society to May 1, 1917,—a period of about three and one-half years,—we have loaned \$514,230. We now have an outstanding loan balance of \$114,262. Our total losses have been \$1,324. We have paid dividends at the rate of 6 per cent. per annum for 1916 and so far for 1917 and have a surplus of \$8,947. Our net earnings are averaging over \$1,000 a month and our expenses are considerably over \$20,000 a year. When we say that a profit can be made on salary loans at 3 per cent. a month we are speaking from experience.

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## FIRE INSURANCE

ENDORSEMENT OF POLICIES; POSITION OF BORROWERS; LOSS  
BY FIRE

F. A. PHILLIPS, Rochester, N. Y.

In presenting a paper on fire insurance I find myself at the outset confronted by a condition which seems to exist among our remedial loan societies and is described by one of the managers as follows: "During our seventeen years of business in which we have made 45,000 loans amounting to more than \$2,000,000, our entire loss through fire has been less than \$200." It would seem, to use his words again, that "the question of insurance does not cut much of a figure in our work," and yet during all that time he had been loaning upon furniture insured under a standard policy, a clause of which reads: "This entire policy, unless otherwise provided by agreement endorsed hereon or added hereto, shall be void . . . if the subject of insurance be personal

property and be or become incumbered by a chattel mortgage." This clause appears in the form of policy now standard in all states except Massachusetts, Minnesota, Iowa and Maine, so that all of our remedial loan societies except in these states are governed by the conditions of policies including this regulation.

Under this clause it seems clear that unless proper endorsements are placed upon the policies by a loan society when the loans are made, a conflagration might wipe out its entire security, and its only assets would be the outstanding notes of borrowers from whom it would be hard to collect, as they themselves would be unable to realize upon their insurance which had been invalidated. While this is an extreme case it is the position in which every society may be placed whose policies are not properly endorsed.

What seems more serious to me, however, is the position in which the borrowers are placed. I think, as remedial loan societies, we should feel a moral responsibility in this matter. Knowing, as we do, that we are unprotected when a borrower invalidates an insurance policy by placing a chattel mortgage upon the furniture insured, we cannot find any fault if, as the result of a fire, we suffer a loss. But is it fair to the borrower to permit this state of affairs to exist without at least advising him of the facts?

Under date of April 26th one of the managers wrote me as follows: "This morning we had our first serious fire, destroying completely the household goods of one of our borrowers. This man, upon calling on the insurance agent this morning to arrange a settlement of the loss on his house and furniture, was informed that he had invalidated the insurance on his furniture by giving a chattel mortgage thereon." Is not this just the position in which every borrower is placed? I venture to say that it was the borrower, not the manager, who was surprised when he came face to face with the fact that his policy was but a "scrap of paper" insofar as his legal rights were concerned.

I am informed that in one state there is a Supreme Court decision holding that unless it can be shown that the fire was set for the express purpose of collecting the insurance, this invalidating clause would not hold. While this may be so, it seems to me that as a matter of principle the remedial loan society should guard its borrowers against loss or litigation by securing for them an endorsement of policies as follows: "Loss, if any, under this policy, payable to the ..... Loan Society of ..... as its interest may appear.

Attached to and forming part of Policy No. .... Ins. Co.  
of ..... Agent."

This endorsement would be recorded upon the policy, the agent's book and in the home office. Whether the policy should then be retained by the society is a matter of opinion. For myself, I believe it is unnecessary, takes valuable room (for it must at least be kept in a fire-proof safe) and means the keeping of additional records in the office which are practically useless. Even in the case of those societies which insist upon insurance, the policy may be returned to the borrower and only one record—that of its expiration—need be made. If a fire occurs, the home office record automatically takes care of the society's interests and the claim cannot be settled without its signature. In most cases the agents will keep the society informed of the expiration of the policy by enquiring whether the "loss payable" clause shall be continued in the new policy. There is, of course, a possibility that a policy holder may take the policy to the agent and, claiming that the loan has been paid, request the removal of the "loss payable" clause. Very few agents, however, would do this without getting confirmation from the society. As a matter of fact, if the borrower intends to set fire to his property, he is the one most concerned about a proper endorsement. When the loan has been paid in full it is not necessary to notify the agent, as the receipt in full or "satisfaction of the mortgage" is all that the borrower needs in order to prove that the society has no interest in the policy. In case of a renewal of a loan the policy is already endorsed and needs no further attention.

At a former convention one of the managers stated that he kept the policy in the office for the moral effect it had on the borrower but did not bother to have it endorsed. This custom is followed by some of the other societies, I find. The situation created thereby is peculiar. If a fire occurs the insured goes to the agent for an adjustment, is asked for the policy and informs the agent that the loan society has the policy, thus putting himself at the mercy of the insurance company. Or suppose he goes to the society first and is a delinquent with whom you have had a great deal of trouble. You seek to make use of the policy as a lever to quicken payments but if there are any suspicious circumstances in connection with the origin of the fire and it looks as if the fire might have been set to get the insurance and pay the loan, you are compelled to give up the policy for the purpose of adjustment or jeopardize the insurance. If it is given up, the borrower must

either acknowledge the existence of a chattel mortgage and thereby risk his insurance, or conceal its existence and thereby risk prosecution for perjury by having sworn to a proof of loss which states: "The undersigned claims of the insurance company its share of the loss as stated above; and declares that . . . . . nothing has been done before or since the fire by me to violate any of the conditions of said policy."

A new society will experience some difficulty at first in getting endorsements through the local agents. We had this difficulty and it took considerable time and work but we are now able to get the endorsements. Some agents are obliged to transfer the policy from one company to another. By taking the matter up directly with the main office of each company I have secured a satisfactory arrangement so far as our own society is concerned.

The chief objection to endorsements seems to be the belief that the moral hazard is increased—that a man who seeks a loan on his furniture must be very hard pressed. All who understand the nature of our work know that the insurance hazard is never increased by a chattel loan made by one of our societies in view of the careful investigation and inquiries that we make. Still I am reminded of the experience of our own appraiser who one day overheard the young son of the family, who had been observing his inventory work, exclaim: "What you doing, Ma—getting ready to have a fire?"

As to loss through fire—at the beginning of this paper I quoted the statement of one of our managers. With one exception it seems to be the experience of all of us that no large losses have been sustained. In the great Chelsea fire of 1908, the Workingmen's Loan Association of Boston lost about \$1,000. That case is exceptional, however, and only in a conflagration covering a large territory could any such loss occur. But to meet such conditions I think each society should take out a blanket policy covering all its possible losses and thus do away with the practice of insisting upon insurance. I find that of the 26 societies reporting, 13 insist upon insurance. Of these 13, six require insurance covering all loans and seven require insurance on all loans above a certain amount—\$25, \$75, \$100 or \$125. Other societies charge the borrower 25 cents to \$1 per year which protects the society but not the borrower. In view of the small losses reported, however, I think it is unnecessary to burden the borrower with a cost of \$2.50—practically the lowest premium accepted for furniture insurance—thus

making the cost of a loan of, say, \$25 seem heavy at a time when the borrower is in no position to pay that amount of money.

I recommend (1) that all societies try to secure proper endorsements of their policies in states where standard policies include a chattels clause; (2) that the Executive Committee take up with the National Association of Underwriters the subject of chattel loan endorsements with the view of obtaining a uniform practice by all companies, and, if necessary, arrange for a general form of blanket insurance to protect against fire loss; (3) that the Federation go on record as believing that individual insurance policies should not be required.

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It was voted that the Executive Committee take up the suggestions made by Mr. Phillips with the proper insurance authorities and report results.

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#### **Third Session, May 11, 1917, 9:00 a. m.**

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#### **AMERICAN ASSOCIATION OF SMALL LOAN BROKERS**

Discussion was had upon the question of encouraging members of the Federation to become members of state associations affiliated with the American Association of Small Loan Brokers. It was decided that no action should be taken in addition to that of the Executive Committee as expressed in its circular letter to members on Nov. 10, 1916.

#### **CHARGING INTEREST FOR EXACT TIME**

Following a discussion of this topic led by Mr. George H. Loh a resolution was adopted expressing the opinion of those present that members of the Federation should compute interest on the unpaid balances of loans on a thirty-day basis and for the exact number of days.

#### **ADVERTISING THE INTEREST RATE**

Following a discussion led by Mr. Ham the following resolution was adopted:

*Resolved*, That it is the opinion of those in attendance at this convention that all members of the Federation which charge a fee for examination, investigation or recording, in addition to interest, should when advertising the cost of their loans state such cost either in terms

of dollars and cents or in terms of interest rate plus the exact amount of the fee charge.

#### NATIONAL ORGANIZATION

Mr. Chas. E. Burnham led the discussion of this topic, telling of his unsuccessful attempts to form remedial loan societies in certain Massachusetts cities. Mr. Hill spoke of the ease with which capital can be raised for a small-loan company operating on purely commercial lines without limitation upon profits, and the difficulty of securing funds when profits are limited to a definite and reasonable rate. It was the opinion of all present that in spite of these drawbacks the work of the National Federation would be largely undone if it permitted itself to assume a purely commercial character or admitted to membership any organization formed along purely commercial lines without check upon profits.

#### 1918 CONVENTION

Invitations were presented to the Federation to meet next year in New York, Asbury Park and Atlantic City. It was voted that the next convention should be held in Atlantic City subject to change by the Executive Committee after obtaining a mail vote of all the members.

#### ELECTION OF OFFICERS

Following the report of the Nominating Committee, Mr. Hugh Cavanaugh of Cincinnati was elected Chairman and Mr. George E. Upson of Utica was re-elected Secretary-Treasurer.

A rising vote of thanks was extended to Mr. Brown, the retiring Chairman, for the admirable way in which he has conducted the duties of his office.

The Chairman appointed Messrs. Bigelow, Brown, Glidden, Ham, Rutherford, Stroup and Tucker to serve with the Chairman and the Secretary-Treasurer, as the Executive Committee.

Convention adjourned.

## APPENDIX I

### CONSTITUTION OF THE NATIONAL FEDERATION OF REMEDIAL LOAN ASSOCIATIONS

**NAME.**—This organization shall be known as the National Federation of Remedial Loan Associations.

**OBJECT.**—The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies, giving information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

**MEMBERSHIP.**—Subject to the decision of the Executive Committee, all societies shall be admitted to membership that have been organized to make small loans at reasonable interest rates, and have given evidence of their social purpose by limiting the returns that they shall pay to their shareholders to a reasonable rate, in accordance with the investment standards of the communities in which they operate.

The annual dues shall be as follows: For societies having a loan balance of less than \$50,000, \$10; for societies having a loan balance of from \$50,000 to \$100,000, \$15; for societies having a loan balance of from \$100,000 to \$500,000, \$25; for societies having a loan balance of from \$500,000 to \$2,000,000, \$50; for societies having a loan balance of \$2,000,000 or more, \$100.

**OFFICERS.**—The officers of the Federation shall be a Chairman and a Secretary-Treasurer. These with seven others appointed annually by the Chairman shall constitute the Executive Committee. Any vacancies occurring between conventions shall be filled by the Executive Committee.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.

## APPENDIX II

### GENERAL FORM OF UNIFORM SMALL LOAN LAW

A BILL for an Act to license and regulate the business of making loans in sums of three hundred dollars (\$300) or less, secured or unsecured, at a greater rate of interest than . . . (legal contract rate) . . . per centum per annum, prescribing the rate of interest and charge therefor, and penalties for the violation thereof, and regulating the assignment of wages or salaries, earned or to be earned, when given as security for any such loan.

**License-  
bond**      Section 1. . . . (Be it enacted, etc., or other appropriate enacting clause) . . . : No person, co-partnership, or corporation shall make any loan of money, credit, goods, or things in action in the amount or to the value of three hundred dollars (\$300), or less, whether secured or unsecured, and charge, contract for or receive a greater rate of interest than . . . (legal contract rate) . . . per centum per annum therefor, without first obtaining a license from the . . . (state officer in charge of bank examination) . . . Application for such license shall be in writing and shall contain the full name and address, both of the residence and place of business, of the applicant and if the applicant is a co-partnership, or corporation, of every member, or officer thereof; also the county and municipality, with street and number, if any, where the business is to be conducted. Every such applicant, at the time of making such application, shall pay to the . . . (officer) . . . the sum of one hundred dollars (\$100) as an annual license fee and in full payment of all expenses of examinations under and administration of this Act. The applicant shall also, at the same time, file with the . . . (officer) . . . a bond in which the applicant shall be the obligor, in the sum of one thousand dollars (\$1,000) with one or more sureties to be approved by said . . . (officer) . . . which bond shall run to the People of the State of . . . . . . . . . for the use of the State and of any person, or persons who may have a cause of action against the obligor of said bond under the provisions of this Act, and shall be conditioned that said obligor will conform to and abide by each and every provision of this Act and will pay to the State and to any such person or persons, any and all moneys that may become due or owing to the State and to such person, or

persons, from said obligor, under and by virtue of the provisions of this Act.

Upon the filing of such application and the approval of said bond and the payment of said fee, the ... (officer) ... shall issue a license to the applicant to make loans in accordance with the provisions of this Act for a period which shall expire the first day of ..... next following the date of its issuance; provided, that if the license is issued for a period of less than six months the license fee shall be fifty dollars (\$50). Such license shall not be assigned.

If in the opinion of the ... (officer) ... the bond shall at any time appear to be insecure or exhausted, or otherwise doubtful, an additional bond in the sum of not more than one thousand dollars (\$1,000) satisfactory to the ... (officer) ... shall be filed and upon failure of the obligor to file such additional bond, the license shall be revoked by the ... (officer) ...

**Additional bond**

The ... (officer) ... may, in his discretion, upon notice to the licensee and opportunity to be heard, revoke such license if satisfied that the licensee has violated any provision of this Act; and in case the licensee shall be convicted a second time of a violation of Section two (2) of this Act the ... (officer) ... shall revoke such license; provided that the second offence shall have occurred after a prior conviction. The issuance of another license after a revocation shall be at the discretion of the ... (officer) ...

**Revoking license**

The license shall be kept conspicuously posted in the place of business of the licensee.

No person, co-partnership, or corporation so licensed shall make any loan or transact any business provided for by this Act, under any other name, or at any other place of business than that named in the license. No more than one office, or place of business shall be maintained under the same license but the ... (officer) ... may issue more than one license to the same person upon the payment of an additional license fee and the filing of an additional bond for each license.

**Place of loans**

In case of the removal of a licensee, he shall at once give written notice thereof to the ... (officer) ... who shall attach to the license his consent in writing to the removal.

**Removal**

The ... (officer) ... for the purpose of discovering violations of this Act, may either personally, or by any person designated by him,

**Examinations**

at any time and as often as he may desire, investigate the loans and business of every licensee and of every person, co-partnership, and corporation by whom or which any such loan shall be made, whether such person, co-partnership, or corporation shall act, or claim to act as principal, agent, or broker, or under, or without the authority of this Act; and for that purpose he shall have free access to the books, papers, records and vaults of all such persons, co-partnerships and corporations; he shall also have authority to examine, under oath, all persons whomsoever, whose testimony he may require, relative to such loans, or business.

**Books and records**

The licensee shall keep such books and records as in the opinion of the ... (officer) ... will enable ... (officer) ... to determine whether the provisions of this Act are being observed. Every such licensee shall preserve the records of final entry used in such business, including cards used in the card system, if any, for a period of at least one year after the making of any loan recorded therein.

**False advertising**

No licensee or other person or corporation shall print, publish or distribute or cause to be printed, published or distributed in any manner whatsoever, any written or printed statement with regard to the rates, terms or conditions for the lending of money, credit, goods or things in action, in amounts of three hundred dollars (\$300) or less, which is false or calculated to deceive.

**Interest and charges**

Section 2. Every person, co-partnership and corporation licensed hereunder may loan any sum of money, goods or things in action not exceeding in amount or value the sum of three hundred dollars (\$300) and may charge, contract for and receive thereon interest at a rate not to exceed three and one-half ( $3\frac{1}{2}$ ) per centum per month.

**No advance interest**

Interest shall not be payable in advance or compounded and shall be computed on unpaid balances. In addition to the interest herein provided for, no further or other charge, or amount whatsoever for any examination, service, brokerage, commission or other thing, or otherwise, shall be directly or indirectly charged, contracted for or received, except the lawful fees, if any, actually and necessarily paid out by the licensee to any public officer, for filing, or recording in any public office, any instrument securing the loan, which fees may be collected when the loan is made, or at any time thereafter.

**When loan void**

If interest, or charges in excess of those permitted by this Act shall be charged, contracted for, or received, the contract of loan shall be

void and the licensee shall have no right to collect, or receive any principal, interest or charges whatsoever.

No person shall owe any licensee at any time more than three hundred dollars (\$300) for principal.

**Section 3. Every licensee shall:**

Deliver to the borrower, at the time a loan is made, a statement in the English language showing in clear and distinct terms the amount and date of the loan and of its maturity, the nature of the security, if any, for the loan, the name and address of the borrower and of the licensee and the rate of interest charged. Upon such statement there shall be printed in English a copy of Section two (2) of this Act;

**Restrictions on methods of making and paying loans**

Give to the borrower a plain and complete receipt for all payments made on account of any such loan at the time such payments are made;

Upon payment of the loan in full, mark indelibly every paper signed by the borrower with the word "paid" or "cancelled," and discharge any mortgage, restore any pledge, return any note and cancel any assignment given by the borrower as security.

No licensee shall take any confession of judgment or any power of attorney. Nor shall he take any note, promise to pay, or security that does not state the actual amount of the loan, the time for which it is made and the rate of interest charged, nor any instrument in which blanks are left to be filled after execution.

**Section 4. No assignment of any salary or wages, earned or to be earned, given to secure a loan, shall be valid unless in writing signed in person by the borrower, nor, if the borrower is married, unless it shall be signed in person by both husband and wife; nor shall such assignment be valid unless given to secure a debt contracted simultaneously with its execution.**

**Salary and wage assignments**

Under any such assignment or order for the payment of future salary or wages given as security for a loan made under this Act, a sum of at least ten (10) per centum of the borrower's salary or wages, but not exceeding such sum as may be levied upon on execution, shall be collectible therefrom at the time of each payment of salary or wages, from the time that a copy thereof, verified by the oath of the licensee, or his agent, together with a verified statement of the amount unpaid upon such loan, has been served upon the employer.

**Penalties**

Section 5. No person, co-partnership or corporation except as authorized by this Act shall, directly or indirectly, charge, contract for, or receive any interest or consideration greater than . . . (the legal contract rate) per centum per annum upon the loan, use or forbearance of money, goods or things in action or upon the loan, use or sale of credit, of the amount or value of three hundred dollars (\$300) or less.

The foregoing prohibition shall apply to any person who, as security for any such loan, use or forbearance of money, goods or things in action or for any such loan, use or sale of credit, makes a pretended purchase of property from any person and permits the owner or pledgor to retain the possession thereof, or who, by any device or pretense of charging for his services, or otherwise, seeks to obtain a greater compensation than is authorized by this Act.

Any person, and the several officers and employes of any corporation, who shall violate the foregoing prohibitions shall be guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine of not more than five hundred dollars (\$500) or by imprisonment of not more than six (6) months, or by both such fine and imprisonment in the discretion of the court.

Any licensee and any officer or employe of a licensee who shall violate any of the provisions of Section two (2) of this Act shall be guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine of not more than five hundred dollars (\$500) or by imprisonment of not more than six (6) months or by both such fine and imprisonment in the discretion of the court.

No loan for which a greater rate of interest or charge than is allowed by this Act has been contracted for or received, wherever made, shall be enforced in this state and any person in any wise participating therein in this state shall be subject to the provisions of this Act.

**Exemptions**

Section 6. This Act shall not apply to any person, co-partnership or corporation doing business under any law of this state or of the United States relating to banks, trust companies, building and loan associations, or pawnbrokers.

Section 7. All Acts and parts of Acts inconsistent with the provisions of this Act are hereby repealed.



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